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GOVERNOR'S
BUDGET
SUMMARY
1988-1989

GEORGE DEUKMEJIAN
GOVERNOR
STATE OF CALIFORNIA

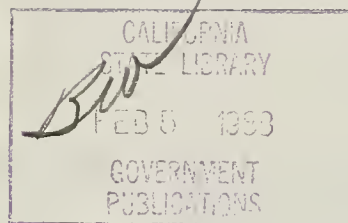
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GOVERNOR'S BUDGET SUMMARY 1988-1989

Submitted by
George Deukmejian
Governor
State of California

to the
California Legislature
1987-88 Regular Session



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GEORGE DEUKMEJIAN
GOVERNOR

State of California

GOVERNOR'S OFFICE
SACRAMENTO, CA 95814

January 7, 1988

To the Senate and the Assembly of the California Legislature:

The 1988-89 Governor's Budget is submitted to you in compliance with Article IV, Section 12 of the California Constitution.

Our Budget is once again balanced, proposes no new taxes and keeps faith with the voter-approved spending limitation. It also provides for nearly a \$1.1 billion reserve for emergencies and economic uncertainties, which is essential to preserve California's AAA bond rating.

My Administration's sixth budget continues to emphasize the people's highest priorities, including education, public safety, economic development, transportation and toxic waste enforcement.

California's spending plan provides record funding for each K-12 student, once again making quality education the number one spending priority. The fiscal blueprint continues California's commitment to those who need health and welfare assistance, as well as continuing our leadership role in the fight against the deadly disease, AIDS. In order to address the growing traffic concern on California's freeways, highways and roads, the budget proposes approximately \$3.5 billion to develop and maintain California's highways and mass transportation systems, including the largest increase in personnel dedicated to highway construction in over 20 years.

It is clear to me that the people of California share the priorities of this budget and the need for state government to live within its means. I am hopeful that you also share these priorities and that you will work with this Administration to ensure that we are up to the task of meeting the challenges of the coming years.

Most cordially,

George Deukmejian

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

GEORGE DEUKMEJIAN, Governor



January 7, 1988

The Honorable George Deukmejian
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Deukmejian:

It is with pleasure that I submit to you the Governor's Budget for 1988-89.


This sixth budget of your Administration continues your commitment to the established priority spending programs and does not exceed the State Appropriations Limit.

The 1988-89 Budget presents a spending program which builds on the previous five years of strong growth. This represents the longest peacetime expansion in history, and we project moderate growth over the next two years. Although there is some valid uncertainty as to our economic future, we believe California will continue to outpace the rest of the nation. However, just the economic events of the last year demonstrate the range of potentials for which we must be prepared. As is typical, we have identified in our forecast picture the impact on our revenue receipts for either the high or low occurrence.

Another area which requires attention is the number of programs whose growth rates are outpacing the growth rate in revenues. This situation is occurring due to the unprecedented growth in caseloads, populations served and substantial increases in various cost factors. We must continue to assess these programs and develop management strategies to deal with their increasing fiscal needs.

I again wish to pay tribute to the outstanding staff members of the Department of Finance who worked so diligently to prepare the 1988-89 Governor's Budget. Only through their combined efforts have we been able to assist you in developing a sound fiscal plan for the State of California.

Very truly yours,


JESSE R. HUFF
Director of Finance

Policy Perspective

The 1988–89 Governor's Budget continues to build for California's future based upon the solid foundation which has been established during this Administration. As we move toward the 21st century, California must continue to meet the needs of an ever-changing and dynamic environment, the major challenge of which is a tremendous population growth. The State's population is growing at a pace nearly double that of the rest of the nation. By the year 2000, forecasters say California will be the world's fifth largest economy and home to more than 33 million people.

The pressure created by this tremendous growth presents us with the opportunity for challenging and creative problem solving. We can meet that challenge with dedication, teamwork and cooperative effort from government, the private sector and the people of this State.

The major goals of this Administration in terms of fiscal policy have been to realign the priorities of State government and to streamline or eliminate unrealistic and unrestrained programs. Our State spending priorities place unprecedented emphasis on education, public safety, cleaning up toxic wastes, promoting trade and tourism, and on clearing the way for a major expansion and rehabilitation of our roads and highways. We have committed significant levels of funding for those priority items. Over the course of this Administration, California's budget has gone from \$25 billion in 1982–83 to over

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\$44 billion in 1988–89—a 76 percent increase.

This dramatic growth has occurred without the necessity of a general tax increase or expansion of excessive bureaucracy. The focus has been on providing the necessary services for all Californians and creating a climate of positive opportunity for prosperity and growth.

Achievements

As this Administration begins its sixth year in office, it can boast numerous positive and on-going achievements. New and expanded programs and initiatives started in the last five years are showing results. The Governor's 1988–89 Budget builds off of those accomplishments. Significant program areas vital to all Californians addressed by this budget include:

● Higher Education

Substantial increases in Student Aid funding to provide increased access to higher education.

Funding for expansion of existing facilities and design/construction of new facilities for various campuses at the University of California, the California State Colleges and the Community Colleges.

● Elementary and Secondary Education (K–12)

Provision of the highest per student K–12 funding level in the history of California.

\$1.6 billion for school construction to ensure adequate housing for new students.

● **Transportation**

\$1.7 billion for highway construction projects.

Implementation of new and innovative advanced technology to enhance traffic flow.

● **Business Development**

Expansion of foreign trade programs, including establishment of an office in Mexico City.

● **Environment**

Substantial increases in toxics programs to ensure a healthier environment.

● **Health and Welfare**

A 131 percent increase in funding to continue the commitment to reduce welfare dependency through the Greater Avenues for Independence Program (GAIN).

\$70 million to combat the AIDS epidemic.

An increase in Medi-Cal rates for key services to ensure essential access to medical assistance.

● **Public Safety**

Provide for essential construction and staffing.

● **State/Local Government Partnership**

\$15 million for local matching requirements to complement the State and local government partnership.

\$370 million to fully implement trial court funding (includes local block grants and the Judicial Improvement Fund).

● **Employee Compensation**

Provide sufficient funds for up to a four percent salary program effective January 1, 1989, plus benefits, and increase faculty salaries in keeping with comparison institutions.

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comfortable margin
in economic growth.”*

*“. . . California . . .
continues to attract
more jobs than any
other state.”*

● **Tax Policy**

No new taxes are proposed in this budget.

● **Prudent Reserve**

A three percent reserve to ensure fiscal stability for California State Government.

1988–89 Budget Considerations

In preparing the Governor’s 1988–89 Budget, three significant fiscal and economic factors were considered.

Economy. This year’s economic outlook is fraught with speculation, primarily as a result of the stock market selloff of October of 1987. Any further economic downturn could translate into a loss of hundreds of millions of dollars in lost resources for the State, because State revenue levels are directly tied to the condition of the economy. The three primary revenue sources for the State depend on corporate profits, personal income and sales of tangible items.

We are optimistic regarding California’s future and see a continuing good economy. California will maintain her leadership status and outpace the rest of the nation by a comfortable margin in economic growth. Forecasters see a moderate growth rate overall, with personal income increasing and the unemployment rate staying in the 5 to 6 percent range, which is generally considered a full employment rate. Furthermore, California has become a major player in the national and international marketplace and continues to attract more jobs than any other state. Over two million more Californians are working today than when the Administration took office five years ago.

Tax Adjustments. Two major occurrences have impacted the tax structure in the last two years—the National Tax Reform Act of 1986 and the California tax law change in 1987.

The federal tax reform had a major impact nationwide. In 1986, the federal government and most all the

state governments, including California, saw a surge in revenues due to taxpayers making financial decisions in anticipation of the implementation of the new federal tax laws. Californians benefited from this influx of revenue. The excess revenue gain was passed on in the form of a \$1.1 billion tax rebate. The impact of the federal tax law change may not yet have been fully realized, since sufficient time has not elapsed within which to assess the impact of taxpayer behavior.

The second major change occurred in October, 1987, when the Governor signed legislation which more closely aligned California's tax laws to the revised federal tax laws, simplified tax return preparation and eliminated tax loopholes. At this time, the total impact this law may have on taxpayers' financial transactions is unclear. A minor change in taxpayer behavior, either at the federal or State level, can have a dramatic effect on tax receipts.

In the area of taxes, it is important to note that California maintains her ranking as a state with a moderate taxing level—a drastic change from the '70s when California ranked as the third highest tax state in the nation. Changes such as Proposition 13, indexing of the personal income tax and repeal of the inheritance and gifts taxes have aided in lowering the tax burden.

Proposition 4. Proposition 4, adopted by the electorate in 1979, imposed restraints on spending for both State and local governmental entities. Those Proposition 4 restraints do not directly impact the proposed State budget for 1988–89, primarily due to the State's assumption of several significant local government costs. The two major such costs are funding of the recently-enacted trial court legislation and funding of local mandates as required by the provisions of Proposition 4. The effect of the State's assumption of such local government costs is to shift the local limits related to those costs to the State, thus allowing more room under the State spending limit. This Adminis-

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tration will continue to fund local mandates whenever appropriate.

Another significant aspect of the implementation of Proposition 4 concerns the rebate which was recently returned to the taxpayers as required by the Constitution. The Administration opposed efforts to spend the rebate money on additional program or operating needs because such expenditure would have created an expectation on the future availability of such funds. Future expectations of higher levels of spending in reliance upon excess tax revenue would have been unrealistic since the revenue was one-time in nature, as demonstrated by the actual and projected revenue figures for 1987–88 and 1988–89 which show no significant excess in those years.

The Administration has implemented Proposition 4 as adopted by the people. We will continue to evaluate the operation of the spending limitation and may consider appropriate modifications which would make the Proposition operate in a more effective manner. However, this Administration will continue to support the concept of restrained and realistic spending, one of the underlying principles of Proposition 4 as enacted.

1988–89 Spending Plan

The 1988–89 Governor's Budget proposes a total spending program of \$44.3 billion, including \$36.1 billion in General Fund expenditures.

Education continues as the Administration's number one spending priority and this year's budget sets a record in its support levels. Additionally, to provide needed classrooms and school facilities, the Governor is supporting bond measures totalling \$1.6 billion.

It is recognized, however, that dollars alone aren't the only thing needed to provide a first-rate education for our children—it takes much more. It takes school managers who can clearly define educational objectives and then monitor

progress to ensure that students are achieving those objectives; it takes well-prepared and supportive teachers to develop a positive learning environment; and, most importantly, it takes the commitment from both students and their parents to make the most of these learning opportunities.

After five years of infusing unprecedented funds into our educational institutions, it is time to assess the effectiveness of this money and the lessons learned from the expenditure. In July, 1987, the Governor appointed a Commission on Educational Quality to clearly identify the methods used successfully in these high performance schools and devise a plan to apply them statewide. In addition to our proposed additional resources, it is time for the educational establishment to join us in renewing California's commitment to make quality education the top priority in schools across our State.

To continue their standing as one of the finest public higher education systems in the nation, substantial new resources are proposed for all segments of higher education. In addition to increases for faculty salaries, teaching equipment and resources for new students, the Governor supports a \$700 million bond issue to provide the essential facility needs for the campuses. This budget also provides for dramatic increases in assistance to students who desire to attend this State's excellent higher educational institutions.

The second largest share of the State's resources will go to help those who are in need of health and welfare assistance. The 1988-89 Governor's Budget devotes over \$11.5 billion in State funds to help the disadvantaged, sick, handicapped, elderly and young. For example, additional funds will be allocated to combat AIDS and Alzheimer's diseases, ensure improved access for medical services, provide assistance to seniors and the homeless, and the State workfare program, known as GAIN, will be expanded.

Public safety remains a priority for this Administration. Existing prisons

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local government."***

have been modified and new facility construction will continue to relieve the tremendous overcrowding which now exists in institutions statewide. Other public safety enhancements include expansion of criminal detection programs within the Department of Justice, additional investigative staff to detect white collar crime, and the addition of another 150 California Highway Patrol officers to ensure a more safe and efficient highway environment. This brings the total of new officers added since 1982-83 to 720.

The 1988-89 Budget continues the Governor's Transportation Initiative announced in 1987. The three-part plan proposes to spend \$7.5 billion over the next five years for highway construction; increase the efficiency of our transportation system through better traffic management and new technologies; and provide local governments with the funds and support to improve their own transportation systems. To assist with this effort, more than 1,150 personnel years will be added to the Caltrans budget to complement a 40 percent increase in highway construction funds.

Steps will be taken to improve our foreign trade efforts by increasing our Export Finance Fund to enable additional businesses to enter the international market and by opening a new foreign trade office in Mexico City. This new office will complement the two California overseas Trade and Investment Offices located in Tokyo and London.

A major infusion of new money will be directed to aiding local government. As a result of legislation signed in 1987, \$370 million will be provided in 1988-89 to local governments and the Judicial Council to fund the trial courts reform initiative. This funding, complements the \$15 million in funds which will be provided to stabilize county matching requirements in various programs.

All of these spending priorities can be accomplished within our existing resources. Once again, this Administration has provided a sensible, realistic spending plan which is not dependent on new taxes.

Finally, to ensure the fiscal stability of the State, the Reserve Fund for Economic Uncertainties will be maintained at nearly \$1.1 billion, which represents a three percent reserve. The basic principle of a reserve fund is the same as that applied by individuals in their own personal finances—the need to set aside a sufficient amount of money for emergencies. As has been evi-

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denced in the past, this reserve fund has been critical to California when the State experienced the floods of 1986 and the fires and earthquakes in 1987. In addition, the maintenance of an adequate reserve fund has been critical to California achieving a AAA credit rating which saves the taxpayers millions of dollars in interest payments.

**Table 1-1
1988–89 Expenditure Dollars
(In Millions)**

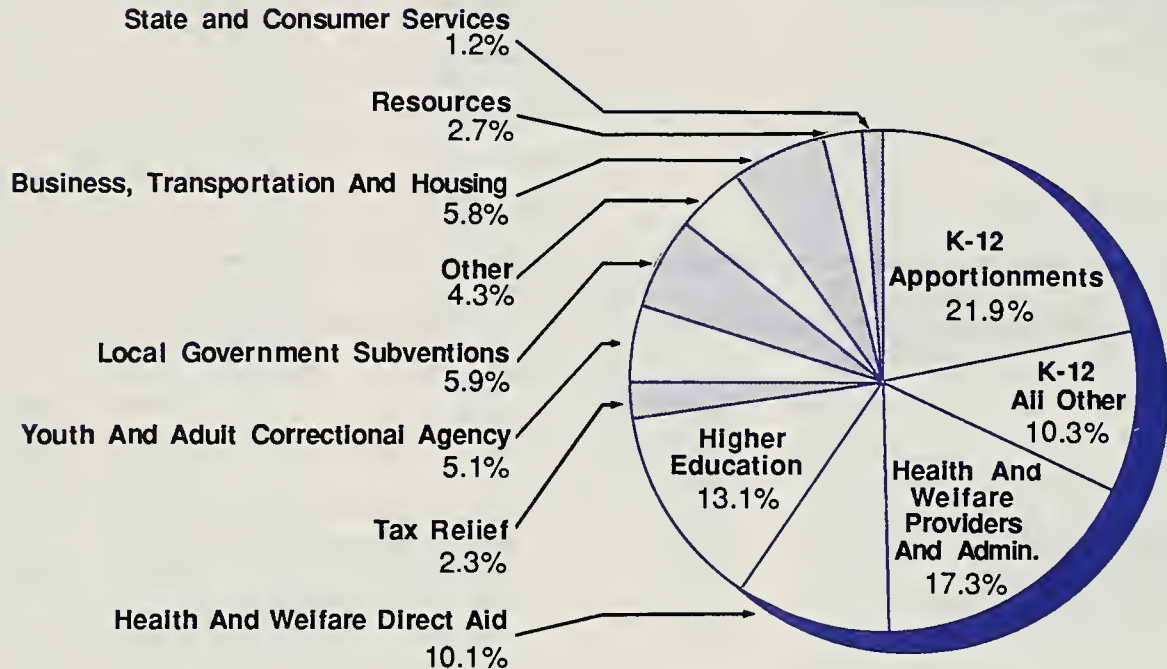
<i>Function</i>	<i>General Fund Expendi- tures</i>	<i>Special Fund Expendi- tures</i>
Education (K–12)	\$13,556.0	\$98.9
Health and Welfare	11,384.3	208.2
Higher Education	5,554.8	4.7
Business, Transportation and Housing	63.1	2,376.7
Tax Relief	884.7	–
Local Government Sub- ventions	0.5	2,513.2
Youth and Adult Correc- tion Agency	2,151.0	28.0
Resources	684.9	438.4
State and Consumer Services	241.7	282.5
Other	1,579.5	309.3
Total	\$36,100.5	\$6,259.9

**Table 1-2
1988–1989 Revenue Dollars
(In Millions)**

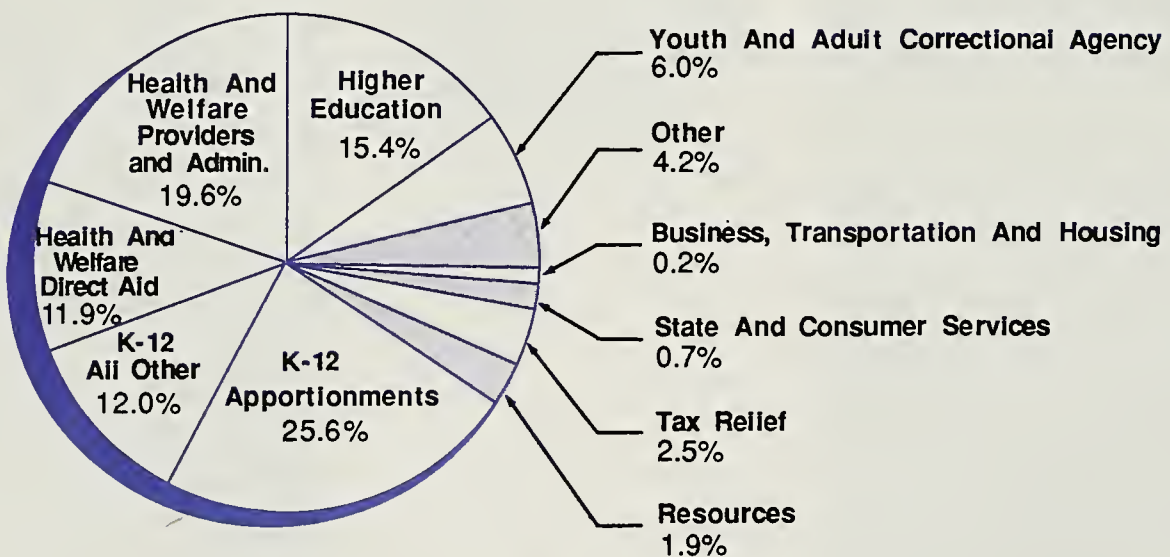
<i>Source</i>	<i>General Fund Revenues and Transfers</i>	<i>Special Fund Revenues and Transfers</i>
Personal Income Tax	\$15,428	–
Sales Tax	12,275	\$49
Bank and Corporation Taxes	5,415	10
Highway Users Taxes	–	2,408
Motor Vehicle License Fees	–	1,938
Insurance Tax	1,225	–
Cigarette Tax	176	74
Liquor Tax	129	–
Estate, Inheritance and Gift Tax	345	–
Horse Racing Fees	114	40
Other	1,142	1,458
Total	\$36,249	\$5,977

EXPENDITURES 1988-89 FISCAL YEAR

TOTAL EXPENDITURES (Excluding Selected Bond Funds)

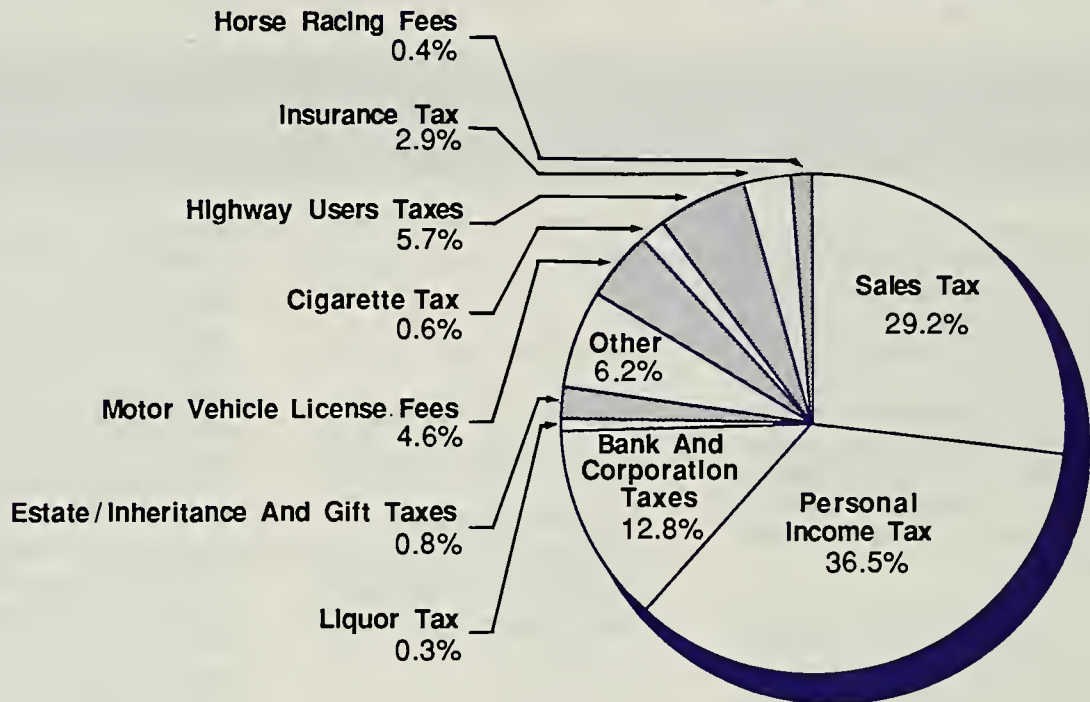


GENERAL FUND EXPENDITURES

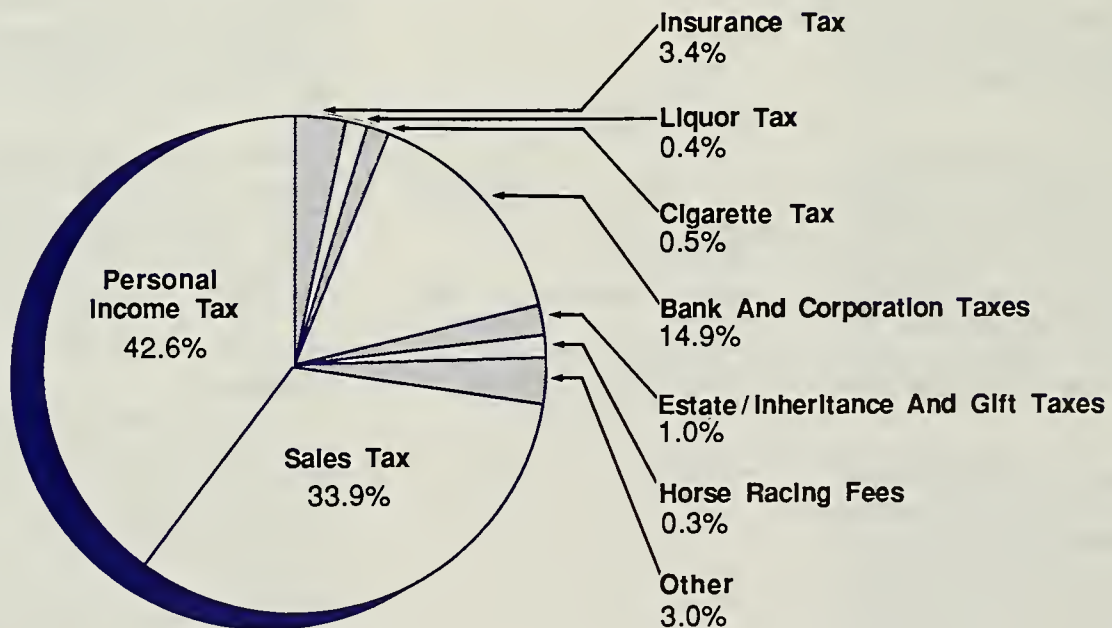


REVENUES 1988-89 FISCAL YEAR

TOTAL REVENUES AND TRANSFERS



GENERAL FUND REVENUES AND TRANSFERS



State Appropriations Limit

In November, 1979 the people approved a revolutionary concept in government—that there should be an annual limit on the amount of tax dollars State and local government can spend. This Limit can be adjusted for inflation and population growth, but basically it places a ceiling equal to the 1978–79 level on the amount of tax dollars which on average may be spent per person in this State.

All tax revenue received must either be appropriated or returned to the taxpayers. Appropriations take two basic forms. Money may be appropriated for direct programmatic purposes, such as education funding or health services, or it may be appropriated for unspecified purposes to various reserve funds, the most important being the Reserve for Economic Uncertainties in the General Fund.

There are some appropriations which are not subject to the Limit, primarily those over which policy-makers have little discretion. They include debt service, expenditures of the proceeds of voter-approved debt and debt which occurred prior to Proposition 4, and appropriations to comply with federal and court mandates.

Because the Limit applies to all governmental entities within California, monies transferred from one unit of government to another are subject to the Limit only once. Appropriations to local government without restrictions on their use are considered tax proceeds for the local entities and not the State, and

*“During the 1986–87
Fiscal Year a surge of
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XIII B surplus at the
State level.”*

*“. . . the . . . 1988–89
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appropriations are \$24
million below the
level of the Limit.”*

are subject to the Limit of the local entities.

Appropriations to reserves count against the Limit in the year in which they are made. Expenditures from specific appropriations or reserves made in prior fiscal years do not count since the full amount of the appropriation was counted in the year it was made.

High inflation which existed in the late '70s and early '80s caused the Limit to grow considerably faster than tax revenues and, therefore, appropriations subject to the Limit. Lower inflation over the past three to four years has closed the gap relatively quickly.

During the 1986–87 Fiscal Year a surge of tax revenue, primarily attributable to the 1986 change in the Federal Tax Law, resulted in an Article XIII B surplus at the State level.

Table 2-1 and Figure 2-1 display the history of the Limit and the appropriations subject to it. As indicated in the Table, the 1988–89 Budget Year appropriations are \$24 million below the level of the Limit.

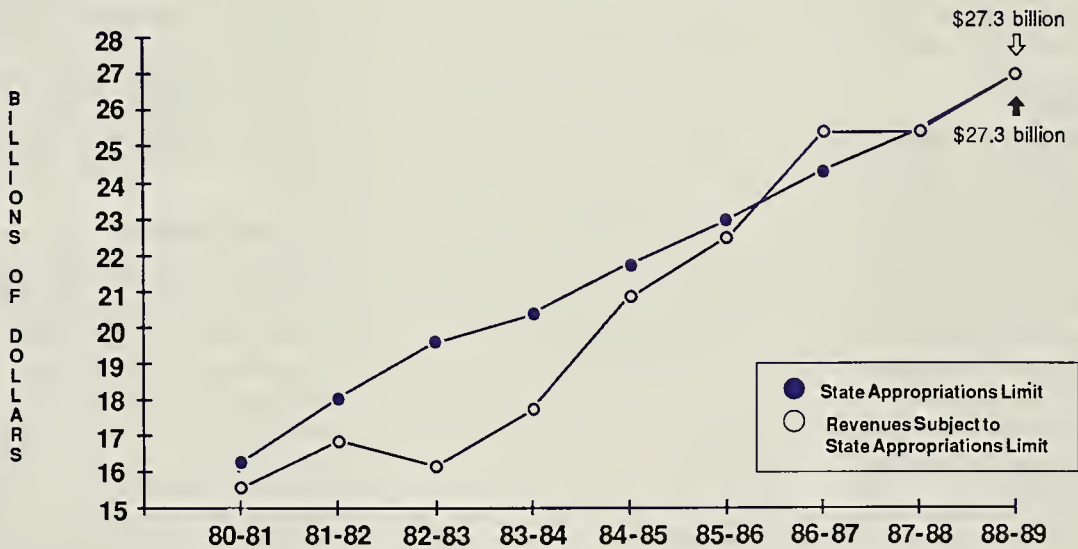
1986–87 Article XIII B Rebate

During May of 1986 the Department of Finance prepared its final estimate of revenues which the State expected to receive in the 1986–87 Fiscal Year. At that time it was determined that the State would exceed the Limit by more than a billion dollars. By early September the Administration and the Legislature agreed to a plan to return these sur-

Table 2-1
State Appropriation Limit
(In Millions)

	1978-79 Base	1979-80	1980-81 Limit	1981-82 Limit	1982-83 Limit	1983-84 Limit	1984-85 Limit	1985-86 Limit	1986-87 Limit	1987-88 Limit	1988-89 Limit
State Appropriation Limit.....	\$12,564	\$14,195	\$16,237	\$18,030	\$19,593	\$20,369	\$21,740	\$22,962	\$24,311	\$25,317	\$27,306
Appropriations Subject to Limitation	-	-	-15,535	-16,872	-16,154	-17,737	-20,822	-22,467	-25,449	-25,267	-27,282
Amount (Over)/Under Limit.....	-	-	\$702	\$1,158	\$3,439	\$2,632	\$918	\$495	(\$1,138)	\$50	\$24

Figure 2 - 1
Historical State Appropriations Limit
(Limit vs. Revenue)
1980-81 Through 1988-89



plus funds to taxpayers in the form of rebate checks. The process and timetables for the rebate were included in Chapters 908 and 915, Statutes of 1987 (SB 47 and AB 2609). Pursuant to the provisions of the legislation, the total rebate amount was estimated, in November 1987, to be \$1,096 million. Based on this estimate, the Franchise Tax Board calculated the maximum rebate and supplied information to the Controller for issuance of the rebate checks. The tax rebates were 15 percent of the 1986 personal income tax liability with a minimum and a maximum rebate as shown in Table 2-2. Senior Citizen Assistance filers and Renter's Tax Credit filers were also eligible for the minimum rebate.

Since the November, 1987 estimate, the State's 1986-87 Fiscal Year financial records have been reconciled and closed. The current estimate of the amount available for rebate is approximately \$42 million higher than the November estimate. However, only after all of the checks have been issued will the total amount of the rebates be known and final adjustments be made.

Limit Calculation

The Limit is based on tax revenues actually appropriated in 1978-79. The Limit is adjusted annually for inflation using the change in the U.S. Consumer Price Index (CPI) or California Personal Income, whichever is less. The Limit is also adjusted annually for population growth. Table 2-3 displays the factors for 1980-81 to date. In addition, the Limit is adjusted for shifts in financial responsibility between entities of government and for shifts of funding source for programs to fees. Shifts

*“... the
Administration and
the Legislature agreed
to a plan to return ...
surplus funds to the
taxpayers in the form
of rebate checks.”*

of financial responsibility have resulted in a net cumulative reduction on the State's Limit of \$274 million as of 1987-88.

Appropriations Subject to the Limit

Starting with revenues from the General Fund and special funds, as displayed in Schedule 8 of the Appendix, Table 2-4 displays the major adjustments needed to calculate appropriations subject to the Limit. Appropriations subject to the Limit are computed based upon adjusted revenues because, as stated above, tax revenues must either be appropriated for programmatic purposes, appropriated to a reserve or returned to the taxpayer. Each line of adjustment is explained in the following paragraphs.

Funds. For purposes of simplification, the funds of the State have been examined to determine which contain tax proceeds. Those funds determined not to contain tax proceeds are excluded from all calculations concerning appropriations subject to the Limit. The special funds which currently contain tax proceeds are footnoted in the fund condition statements in the 1988-89 Governor's Budget. Special funds that do not contain tax proceeds are listed in Schedule 14-A of the Appendix.

Non-tax Revenues. Funds which contain tax proceeds may also receive fees and other types of revenue that are not taxes. These non-tax proceeds are assumed to be fully appropriated in the year of receipt and are deducted from the revenue totals of the funds otherwise subject to the Limit. Specific appropriations are not made from these non-tax revenues for they are considered to be fully intermixed with the other tax revenues in the funds. Schedule 14-B of the Appendix lists non-tax revenues deducted from total revenues.

Transfers. Special funds that do not contain tax proceeds are excluded from the calculations of appropriations subject to the Limit. Extraordinary transfers from these funds to included funds must be

Table 2-2

Article XIII B Rebate Parameters

<i>Filing Category</i>	<i>Maximum</i>	<i>Minimum</i>
Single, Married Filing Separately, Joint Custody Head of Household.....	\$136	\$32
Married Filing Jointly, Head of Household, Surviving Spouse ..	\$272	\$64

added to the appropriations subject to the Limit calculations. Schedule 14-C of the Appendix lists these transfers.

- **Purposes of Expenditure Not Subject to the Limit.** Schedule 14-D of the Appendix lists amounts currently deducted from total expenditures which are appropriated for purposes not subject to the Limit. The Limit specifically exempts:

- Money spent for debt service on voter-approved debt and debt existing when the Article was adopted.
- The appropriation of bond proceeds.

- Money appropriated in a prior fiscal year and still available for expenditure. This appropriation was counted as subject to the Limit in the initial fiscal year.
- Funds granted as subventions to local government without restrictions on use are subject to local limits and not the State's Limit.
- Expenditures in compliance with federal and court mandates. (For purposes of the State's calculation, only mandates fiscally effective after the 1978-79 base year are recognized).
- Loan repayments.

Table 2-3
Income, Population and Price Percentage Change Factors

<i>Price Factor</i>	<i>1979-80</i> <i>Actual</i>	<i>1980-81</i> <i>Actual</i>	<i>1981-82</i> <i>Actual</i>	<i>1982-83</i> <i>Actual</i>	<i>1983-84</i> <i>Actual</i>	<i>1984-85</i> <i>Actual</i>	<i>1985-86</i> <i>Actual</i>	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i> <i>Actual</i>	<i>1988-89</i> <i>Estimated</i>
U.S. Consumer Price Index, Urban, All Items (1967=100).....	10.2	14.7	10.6	6.8	3.6	4.7	3.7	2.3	3.0	4.5
California per capita income.....	12.5	12.1	9.1	12.0	2.4	6.5	7.9	3.4	3.5	4.7
Price factor.....	10.2	12.1	9.1	6.8	2.4	4.7	3.7	2.3	3.0	4.5
California Civilian population, January 1.....	2.1	2.0	2.1	1.8	2.0	1.9	1.9	2.9	2.3	2.1
Limit: Price factor times population.	12.5	14.4	11.4	8.7	4.4	6.7	5.7	5.3	5.4	6.8

Table 2-4
State Appropriations Limit
(In Millions)

	<i>1986-87</i>			<i>1987-88</i>			<i>1988-89</i>		
	<i>GF</i>	<i>SF</i>	<i>Total</i>	<i>GF</i>	<i>SF</i>	<i>Total</i>	<i>GF</i>	<i>SF</i>	<i>Total</i>
Schedule 8									
Revenue.....	\$32,323	\$5,318	\$37,641	\$33,581	\$5,805	\$39,386	\$36,223	\$5,997	\$42,220
Less:									
Schedule 14-A									
Excluded Revenue.....	—	—974	—974	—	—1,123	—1,123	—	—1,216	—1,216
Schedule 14-B									
Non Tax Revenue	—668	—106	—774	—749	—113	—862	—749	—119	—868
Total SAL Revenue	\$31,655	\$4,238	\$35,893	\$32,832	\$4,569	\$37,401	\$35,474	\$4,662	\$40,136
Add:									
Schedule 14-C									
SAL Transfers	18	36	54	7	37	44	4	50	54
Total SAL Revenue & Transfers	\$31,673	\$4,274	\$35,947	\$32,839	\$4,606	\$37,445	\$35,478	\$4,712	\$40,190
Less:									
Schedule 14-D									
Exclusions	—8,828	—1,670	—10,498	—10,368	—1,810	—12,178	—10,990	—1,918	—12,908
Total SAL Appropriations			\$25,449			\$25,267			\$27,282
Appropriation Limit			—24,311			—25,317			—27,306
Room/(Surplus)			(\$1,138)			\$50			\$24



Education

Education is the highest spending priority of this Administration because it is the key to California's future. The goal of this Administration continues to be to make the California educational system one of the best in the nation.

As indicated in Table 3-1, the total funding level in the Governor's Budget for all educational programs is \$24.9 billion, an increase of 7.1 percent over the 1987-88 Fiscal Year and 74 percent over the term of this Administration. Included within this amount are General Fund expenditures totaling \$19.1 billion, representing an increase of 7.6 percent over the 1987-88 Fiscal Year and 71 percent over the 1982-83 funding level.

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Higher Education

The importance of California's public and private institutions of higher education to the well-being of the State's citizenry cannot be overstated. Our colleges and universities not only confer degrees and prepare students for life, but they are world-class centers for innovation and discovery in science, medicine, technology, agriculture, economics, public policy and our national defense. Our colleges and universities represent the fundamental underpinning of our productive, private enterprise economy. Without them, California would become a second-class state, with a second-rate economy.

**Table 3-1
Education Expenditures
General Fund, Lottery Funds, State School Fund
Student Fees and Local Revenue Sources
(Dollars in Millions)**

	1987-88	1988-89	Percent Increase
University of California *	\$2,265.6	\$2,417.8	6.7
California State University	1,765.8	1,884.5	6.7
California Community Colleges	2,072.4	2,204.5	6.4
Student Aid Commission .....	.125.8	143.7	14.2
K-12	16,430.0	17,587.7	7.0
State Teachers Retirement System.....	500.1	559.0	11.8
Other **	87.2	103.5	18.7
Total Expenditures	\$23,246.9	\$24,900.7	7.1

* For purposes of this table, expenditures for the University of California have been adjusted to include student fees and other offsetting income. This provides consistency in comparing magnitudes and growth among the various segments of education.

** Includes General Fund bond interest and redemption payments for higher education.

More than that, a college education is part of the fabric of the California dream. A college diploma opens avenues of opportunity that were not always available to our parents and grandparents.

When the Governor assumed office five years ago, State funding for higher education was inadequate. Equipment, buildings, supplies and technology were becoming obsolete. The best teachers, scientists and researchers in the world were being lost to other institutions because salaries were no longer competitive. Pride in our campuses and a clear sense of purpose were being lost.

Since then, this Administration has made a major commitment of additional General Fund resources. During the six-year period 1982-83 to 1988-89, funding for all three systems of public higher education will have increased by more than \$2.1 billion. Student aid funding will also have increased by more than 73 percent and the number of students receiving grants awarded by the Student Aid Commission will have risen by 46 percent to 73,500.

The 1988-89 Budget continues the Administration's effort to make California's higher education system the best in the nation by providing new funds for faculty and staff salaries, libraries, instructional use of computers, affirmative action and outreach, research, and essential building maintenance.

The Governor's Budget again reflects the Administration's continuing desire to make higher education available to every student in the State by providing \$21 million for additional student financial aid, \$82 million for increasing enrollments, and \$360 million for construction of new classrooms and other campus facilities.

University of California

The University of California System comprises nine campuses located throughout California. The University will have a student enrollment of 147,095 (FTE) students in the 1988-89 Fiscal Year. This total com-

"Our colleges and universities represent the fundamental underpinning of our productive, private enterprise economy. Without them, California would become a second-class state, with a second-rate economy."

prises 135,073 full-time equivalent (FTE) students at the general campuses and 12,022 (FTE) students in the Health Sciences. The Budget includes \$19.7 million to support enrollment increases of 3,565 students at the undergraduate and graduate levels.

The University of California is recognized nationally and internationally for the excellence of its programs. Based on the most recent study of university graduate programs conducted by the Associated Research Councils, the Berkeley and Los Angeles campuses have been ranked number one and two, respectively, in the nation among public institutions in terms of faculty quality. University faculty are well represented among recipients of the Nobel Prize and Guggenheim Fellowship awards and as members of the National Academy of Sciences. It is a priority of this Administration to maintain the preeminence of the University system.

Over the past five years this Administration has consistently worked to restore the University's budget to a level that will ensure the continued excellence of its programs now and in the future. Between 1982-83 and 1988-89, the University's General Fund operating budget will have increased by approximately 81 percent to \$2.04 billion, permitting a phased rebuilding of the University's academic and fiscal health.

Faculty salaries have been a key element in this process. Starting from a level that lagged well behind comparison institutions, faculty salaries have been brought to a level that allows the University to be truly competitive in the academic marketplace.

Another key element has been increased funding for facilities construction and renovation to recognize both a serious shortage of space and technological or functional obsolescence of existing space. During the five-year period of 1983-84 through 1987-88, State authorizations for the University's capital outlay program totaled \$608 million. In 1988-89, the proposed

funding level of \$185 million will bring this total to \$793 million.

Additionally, budget increases have supported the substantial replacement of obsolete instructional equipment, greater student access to computers for instructional purposes, and improved maintenance and repair of buildings.

Budget Highlights. This Administration is committed to continuing to remedy deficiencies that developed in the University's budget during an extended period of fiscal constraints and to maintaining an appropriate base of support to meet the demands of projected future enrollment growth and faculty development.

For 1988–89, the Governor's Budget proposes State funding of \$2.06 billion for support of the University, including \$2.04 billion from the State General Fund, \$15.1 million from the California State Lottery Education Fund and \$4.5 million from other State funds. This represents an increase above the 1982–83 level of support of \$912.9 million (81.1 percent) from the General Fund and \$913.9 million (79.9 percent) in total State funds; and an increase above the 1987–88 level of support of \$132.7 million (7.0 percent) from the General Fund.

The Governor's Budget supports and proposes the following:

- Continued enrollment growth and increased support for instruction and libraries, research, building maintenance, and facilities renovation and construction.
- Increased faculty compensation at a level that allows the University to compete successfully in recruiting and retaining faculty.
- Initiatives to further California's leadership and economic position within the community of nations along the Pacific Rim.
- Research assistantships to attract more domestic students to graduate study in engineering and computer science and to provide support for graduate students in the humanities where federal research support lags far behind

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support for the sciences.

- Increased representation of ethnic minorities among the University's students and faculty.
- Improved coordination with other segments of education.
- A temporary subsidy to University teaching hospitals pending capital improvements to reduce costs and increase revenues.

Student Enrollment. There has been a steady increase in demand for admission to the University during the past several years among undergraduate students eligible for admission, especially at the freshman level. Undergraduate enrollments will have increased by about 19,000 full-time equivalent (FTE) students (21 percent) from 1982–83 through 1988–89. During the same period, general campus graduate enrollments will have increased by about 1,400 FTE students, primarily in disciplines of major significance to California's economic health. To support these increases, \$94 million will have been provided.

In 1988–89, the University will provide education to 135,073 FTE students at the general campuses and 12,022 FTE students in the health sciences. This reflects an increase over the 1987–88 budget level of 2,910 FTE general campus undergraduate students, 600 FTE general campus graduate students and 55 graduate academic students in the health sciences. The Governor's Budget proposes an increase of \$19.7 million to support this enrollment increase. The additional general campus graduate students will be allocated to provide balance at the developing campuses, which have been growing rapidly at the undergraduate level, and most will be in high demand disciplines such as engineering and the sciences. The additional health sciences graduate academic students will be trained in fields such as biomedical engineering, genetics and other new and emerging technologies that promise major contributions to California's economy.

Employee Compensation. This Administration has provided funds

to increase University faculty salaries by 7 percent in 1983–84, 12.8 percent in 1984–85, 8.8 percent in 1985–86, 5.0 percent in 1986–87, and 5.7 percent in 1987–88. In total, since 1982–83, the Administration has provided funds to increase faculty salaries by 45.7 percent. As a result, acceptance by first-offer candidates for faculty positions increased from 72 percent to 85 percent, with significant implications for the future excellence of the University.

The Governor's Budget proposes a faculty salary increase of three percent beginning January 1, 1989. This will maintain salaries at the average of the group of comparison institutions that reflect competitive conditions facing the University in the academic marketplace. The budget provides \$13.2 million for the 1988–89 increase. The proposed faculty salary increase will maintain the University's competitiveness in recruitment and retention of faculty. The Administration considers this to be a high budget priority because the quality of the faculty is the most important element in the quality of any university.

The 1988–89 Budget also includes \$13.4 million to provide UC nonfaculty employees the same salary program provided to other State employees, sufficient funds for up to a four percent salary increase January 1, 1989. Another \$3.4 million is included for nonfaculty special salary and other adjustments.

Student Fees. The Governor's Budget recognizes the student fee increase, which averages 4.4 percent, or \$60 per student, that is prescribed by Chapter 1523, Statutes of 1985. This is the second fee increase at the University since 1983–84, and will result in a fee of \$1,434 per year. Even with the increase, University fees for resident students will remain low compared to those of similar institutions across the nation. To ensure that no student is denied access to the University as a result of the fee increase, financial aid will be provided to students who cannot afford to pay for the fee increase.

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nation."*

Instructional Computing. Since 1983–84, \$5.5 million of General Fund and \$8.8 million of lottery funds have been added to the University's budget to increase the instructional use of computing. Students in all disciplines have benefited from experience with this new technology, which is now a key component of a well-rounded education. The Governor's Budget proposes an additional \$6 million for this purpose in 1988–89. In addition, beginning in 1989–90, this Administration proposes to include computers donated for instructional computing purposes after June 30, 1987 in the equipment base eligible for replacement funds. Under this policy, donations are expected to be more attractive to industry because funds for replacement of donated computers will be assured. The University believes such a policy will greatly assist it in addressing its needs for additional computing hardware and software.

Building Maintenance. To reduce the incidence of costly and disruptive breakdowns and to slow the growth in critical maintenance projects that have to be deferred, this Administration has provided a total increase of \$25.4 million for ongoing and deferred maintenance at the University over the past four years. The Governor's Budget proposes an increase of \$4 million for ongoing maintenance to continue a phased solution to the problem. Additionally, \$3.4 million is provided to operate and maintain newly constructed space.

Affirmative Action. Between 1982–83 and 1987–88, the Regents and this Administration together have added \$7 million to the University's annual support budget for programs designed to increase the representation of ethnic and racial minorities and women among the University's students and faculty. An additional \$1 million from the State's General Fund, to be matched by an equal amount from University funds, is proposed in 1988–89 for the following programs:

- A new undergraduate minority scholars program that would en-

courage high achievement and preparation for graduate level work.

- A program to assist students pursuing courses of study in mathematics or science.
- A program of research assistantships and mentorships that places minority and women graduate students with faculty mentors who guide their academic work and provide opportunities for research.
- Dissertation-year fellowships that allow graduate students to devote their full attention to producing high quality dissertations.
- The President's (postdoctoral) Fellowship Program, which provides support and the advanced research experience needed to compete effectively for faculty positions.

Intersegmental Programs. An increase of \$778,000 is proposed for two programs that will benefit students by fostering cooperation among the segments of California's public education system. The first program, University/Schools Cooperative Research and Extension Program in Education, will bring the results of applied research in the field of education to K-12 schools through extension programs and in-service training of teachers. The second, the California Articulation Number (CAN) Program, facilitates transfer among the segments by providing a series of common course numbers within higher education. Courses with the same CAN numbers are considered interchangeable with one another for breadth, elective and major prerequisite requirement.

Pacific Rim. The 1988-89 Budget provides an additional \$1.1 million to strengthen California's links to Pacific Rim communities and further California's leadership and economic position within that newly emerging, dynamic part of the globe. For 1988-89, the Governor's Budget provides funds for:

- The newly established Graduate School of International Relations and Pacific Studies on the San

“... an additional \$1.1 million to strengthen California's links to Pacific Rim communities and further California's leadership and economic position within that newly emerging, dynamic part of the globe.”

“These increases have strengthened the University's research capacity in areas of vital importance to California, including research on AIDS, biotechnology, microelectronics, toxic substances and Pacific Rim affairs.”

Diego campus, which will provide professional training for careers in the Pacific Rim in both the private and public sectors. The operating budget supports an enrollment increase of 68 FTE graduate students and the capital budget provides \$608,000 for equipment for the newly constructed facility to house the school.

- Additional scholarships to attract students to new and expanded Education Abroad Program study centers in Pacific Rim countries. The 1988-89 Budget proposes an augmentation of \$200,000 for this purpose.
- An augmentation of \$250,000 for the Pacific Rim Research Program, increasing the University's budget for this program to \$1,250,000

Research. The Administration has added \$21 million to the University's annual research budget during the period 1982-83 to 1987-88. These increases have strengthened the University's research capacity in areas of vital importance to California, including research on AIDS, biotechnology, microelectronics, toxic substances and Pacific Rim affairs. The Governor's Budget continues to assign a high priority to the University's research mission by proposing an increase of \$1.5 million for research assistantships. This will permit the University to attract more domestic students to graduate study in engineering and computer science and to provide support for graduate students in the humanities where federal support lags far behind support for the sciences.

Lottery Fund Expenditures. UC lottery revenues and expenditures for both 1987-88 and 1988-89 are estimated at \$15.1 million. In the current year, UC is using its \$15.1 million allocation of lottery funds to continue restoring the fiscal health of instructional programs by budgeting \$8.8 million for instructional computing operating costs, \$4.9 million for new instructional equipment and other instructional support, and \$1.4 million for reduction of the backlog of obsolete instructional equipment.

Capital Outlay. The Governor's Budget for capital outlay represents the continuation of a multi-year effort to address deficiencies that have developed during a period of time in the physical plant of the University in order to ensure that University facilities support academic programs and provide the capacity for continued enrollment growth. Modern facilities are especially critical to the quality of instruction in biological sciences, physical sciences and engineering. These programs, in turn, provide the key to California's economic future.

The budget proposes a total of \$185.5 million, composed of \$124 million from a general obligation bond measure to be placed on the ballot in November, 1988, \$12.5 million from the sale of revenue bonds for general campus projects, and \$49 million of revenue bonds for teaching hospital improvements.

General obligation bond funds will be used to fund construction of facilities to house social sciences programs at Davis, chemistry and biological sciences programs at Los Angeles, a science library at Santa Cruz and an expansion of the Northern Regional Library Facility.

Additional construction projects include academic space for College Eight at Santa Cruz, major renovation projects to support engineering, chemistry and computer science programs at San Diego, natural science programs at Santa Cruz, agricultural science programs at Davis, and seismic safety corrections at Berkeley.

Planning funds are included for new buildings to house earth and marine sciences programs at Santa Cruz, chemistry and biology programs at San Diego, engineering programs at Davis, and a consolidated science library at Irvine; and to fund design of new or renovated facilities for biological science programs at Berkeley.

In addition, the program proposes planning for physical sciences programs at Santa Barbara, engineering programs at Los Angeles, biological sciences programs at Irvine,

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expansion of the central library at San Diego, and expansion of teaching laboratories and seismic safety correction in the Undergraduate Sciences Building at San Diego.

Revenue bonds will be sold to fund construction of an animal care facility at Berkeley and construction of teaching hospital improvements, including a psychiatric inpatient facility at the Irvine Medical Center, the inpatient tower completion and renovation project at the San Diego Medical Center, and expansion of the operating room suite and intensive care units at the Davis Medical Center.

California State University

The California State University (CSU) system comprises 19 campuses located throughout California. Academic excellence has been achieved by CSU through a distinguished faculty, whose primary responsibility is superior teaching. With nearly 355,000 students enrolled, it is the largest system of its kind in the nation. While each campus in the system has its own unique geographic and curricular character, all campuses, as multipurpose institutions, offer undergraduate and graduate instruction for professional and occupational goals as well as broad liberal education. For graduation, all of the campuses require a basic program of "General Education-Breadth Requirements" regardless of the type of bachelor's degree or major field selected by the student.

The CSU offers more than 1,500 bachelor's and master's degree programs in over 200 subject areas. Many of these programs are offered so that students can complete all upper-division and graduate requirements by part-time, late afternoon and evening study. In addition, a variety of teaching and school service credential programs are available. A limited number of doctoral degrees are offered jointly with the University of California and with private institutions in California.

In addition, recognizing that not all students seeking a postsecondary degree are able to attend a CSU

campus, the CSU conducts graduate level course work at seven off-campus site locations. These off-campus centers are administered by the CSU "parent campus."

This Administration has demonstrated a commitment to the CSU system and has provided a level of budgetary support that not only has attempted to restore prior year reductions but also to ensure the academic excellence provided by this nation's largest multipurpose institution continues into the future. During the term of this Administration, CSU's enrollment has increased 8.2 percent while the General Fund budget has increased 68 percent to \$1.86 billion.

Employee Compensation. The Administration has provided funds to increase CSU faculty salaries by 6 percent in 1983-84, 10 percent in 1984-85, 10.5 percent in 1985-86, 6.8 percent in 1986-87 and 6.9 percent in 1987-88. In total, between 1982-83 and 1987-88, this Administration has provided funds to increase CSU faculty salaries by 47.1 percent, maintaining CSU's ability to compete for quality faculty members. These increases brought salaries from a level below average to the level of those at 20 comparison institutions of higher education.

For the 1988-89 Budget, \$19.9 million has been included to continue the Governor's commitment to strengthen faculty salaries to enable CSU to recruit and retain quality faculty members. The amount proposed by the Governor's Budget will provide CSU faculty with a salary increase of up to 4.7 percent, effective January 1, 1989.

The 1988-89 Budget also includes \$11.4 million to provide CSU nonfaculty employees the same salary program provided to other State employees, sufficient funds for up to a 4 percent salary increase January 1, 1989. Another \$2.9 million is included for nonfaculty special salary and other adjustments.

To maintain benefits for faculty and nonfaculty employees, \$7.3 million is included in the 1988-89 Budget.

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Student Enrollment. During this Administration, enrollment will have increased by 19,788 FTE students, or 8.2 percent. More than \$125 million has been provided to accommodate this increase. To fund an estimated enrollment increase of 7,345 FTE students in the 1988-89 academic year, the Governor's Budget proposes an additional \$25.8 million and 763 positions.

Formula Driven Adjustments.

To calculate the cost and personnel requirements associated with maintaining programs and services at the Gubernatorial and legislatively approved levels, CSU employs a multitude of budget formulas. These budget formulas provide an estimate of the costs necessary to maintain programs and services according to approved workload standards. Programs and services such as affirmative action, faculty staffing levels, faculty sabbatical leaves, faculty positions, instructional support staff, instructional equipment, computing support and building and grounds maintenance operate with approved workload standards and benefit from annual budget formula adjustments. The 1988-89 Budget provides \$8.8 million for these adjustments to maintain existing programs and services.

Plant Maintenance. Recognizing the critical need to repair and maintain CSU campuses, the Governor's Budget provides \$1 million to continue an effort which began in 1984-85 to maintain and improve plant maintenance and operations. To ensure CSU facilities are in a reasonable state of repair, the Administration has provided \$47.3 million since 1983-84.

Recognizing the dangers and health hazards associated with asbestos containing materials, \$10.6 million has been provided to remove friable asbestos fibers in occupied CSU facilities.

Instructional Equipment Replacement.

To preserve the quality of education and enable CSU to replace equipment that has become obsolete, \$66 million has been provided (including \$11.5 million in lottery funds) by CSU since 1983-84.

As student demand has shifted away from social and behavioral-type courses to high technology disciplines, CSU has been able to respond by providing technologically-advanced equipment necessary to meet student and faculty needs.

Affirmative Action. The Administration and CSU Trustees have embarked on a joint effort to increase the representation of minorities and women in the student population. This joint commitment has resulted in an increased expenditure for programs designed to provide educational equity for graduate and undergraduate students alike. During this Administration, expenditures have increased by \$34.8 million. Specifically, student financial aid has increased from \$3.4 million to \$18.3 million. Further, an additional \$250,000 has been provided in 1988-89 to expand the Minority Engineering Program. This program is designed to provide retention and support services for Minority Engineering students.

Intersegmental Programs. To continue the innovative intersegmental effort between the University of California (UC), the California State University (CSU), California Community Colleges (CCC) and the State Department of Education, an additional \$750,000 is provided to expand the following three programs:

- California Articulation Number (CAN) project, an intersegmental cross-referencing system designed to assist students identify transferable courses common to the California Community Colleges, University of California (UC) and CSU.
- Comprehensive Teacher Institutes, an intersegmental effort designed to bring about improvements and revitalization of teacher education programs through partnerships between UC, CSU and K-12 districts.
- New Teacher Retention In Inner City Schools, a collaborative effort between CSU campuses and local school districts to assist new inner city school teachers be-

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come effective teachers in the inner city school environment and increase the retention of these teachers.

Faculty Research. To enrich the scholarly and creative activities of CSU faculty members, thus enhancing teaching effectiveness, the Administration has instituted a new Faculty Research program. This program will provide \$2.5 million for CSU faculty to participate in Summer Fellowship programs, receive grants and compete for one term leaves-of-absence to complete or initiate research that is related to their academic discipline.

Student Fees. Pursuant to the provisions of Chapter 1523, Statutes of 1985, the 1988-89 Budget includes revenues from a 8.6 percent increase in student fees. This legislatively approved student fee policy will require mandatory systemwide student fees to increase from \$630 to \$684 for full-time students and from \$366 to \$396 for part-time students. This fee increase, however, will not prevent any needy student from attending CSU as the Governor has included \$2 million in financial aid to offset the impact of the student fee increase.

Even with this increase, CSU fees remain low compared to those of similar institutions across the nation.

Lottery Fund Expenditures. CSU lottery expenditures for 1988-89 are conservatively estimated at \$22.5 million. In September, 1988, CSU will identify how 1988-89 lottery resources will be expended.

For the current year, CSU will continue prior year commitments and fund Master Teacher Stipends and Scholarships, Instructional Computing Access and Instructional Computing Local Timesharing for a total cost of \$4 million. In addition, \$12.8 million will be expended on programs such as affirmative action for graduate students, student internships, instructional computing and equipment and various fine arts initiatives. The remainder of current year resources will be allocated to campus endowment and discretionary funds, program administration

and a contingency reserve for lottery cash flow purposes.

Capital Outlay. The Governor's Budget proposes \$124 million in State funds for CSU's capital outlay program to be funded from general obligation bonds to be put before the voters in November, 1988.

General obligation bond funds will be used to fund a variety of construction projects including the addition to Plumas Hall at Chico, the School of Business at Long Beach, a large classroom building at Sacramento and one at San Bernardino, and the remodeling of and addition to the Business Administration and Education building at San Luis Obispo.

In addition, the program includes 16 planning and/or working drawings projects that will renovate, expand or construct facilities; equipment for 14 newly constructed or renovated buildings; and seven planning and/or working drawing projects for the three new off-campus centers located in the City of San Marcos, Contra Costa County and Ventura County.

California Community Colleges

The California Community Colleges (CCC), the largest postsecondary education system in the nation, serve 1.2 million students with an annual budget of approximately \$2.2 billion.

California's community college system is comprised of 106 campuses formed into 70 districts statewide. The Community Colleges are open to all adults able to benefit from instruction. One of every 15 adult Californians is currently enrolled in a community college, and nearly half of all adult Californians have attended a community college at some time.

The Community Colleges provide an excellent and affordable opportunity for students seeking lower division degrees and certificates in the arts, sciences and occupational fields. Remedial and basic skills instruction are also important functions of the colleges.

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The Community Colleges provide a broad array of educational services, including the following:

- Core education for transfer to four-year colleges
- Two-year degree programs
- Certificate programs for employment
- Allied programs with business, industry and government
- Remediation and basic skills education
- Continuing education and community education
- Community services

Through these services, the Community Colleges meet diverse and changing local needs and fulfill a vital function within the State's higher education system.

Total funding for the California Community Colleges in 1988-89 is \$2.204 billion, an increase of \$751.4 million over the amount provided in 1982-83. This represents a 51.7 percent increase in six years. Total proposed funding per unit of Average Daily Attendance (ADA) in 1988-89 is \$3,149, a 53.1 percent increase over 1982-83. In real terms, this represents an increase of 26.6 percent.

Community College Reform.

The California Community Colleges are in a period of transition. In March, 1986, the Commission on the Review of the Master Plan for Higher Education issued its report on the Community Colleges and made 68 recommendations in 5 major areas which are summarized as follows:

- Access and Success—Open access must be coupled with a means of ensuring individual success.
- Mission and Function—Transfer and vocational education are primary functions, remedial education is an important function, and noncredit adult education and community services are authorized functions.
- Faculty and Administrators—The institution should become more collegial and there should be less

reliance on part-time faculty.

- Governance—The authority of the Board of Governors should be strengthened.
- Finance—There should be a differential funding methodology with authority vested in the Board of Governors to allocate funds to the districts.

The Commission believes reforms in these areas are necessary for the Community Colleges to ensure universal access, student success, high quality education and accountability to the public.

The Administration supports many of the Commission's recommendations and has provided funding to begin reforms in several areas. In the current year, \$24.8 million was provided to continue and further these purposes. A total of \$21 million was provided to begin a phase-in of matriculation which included \$13.8 million for one-time data processing costs and \$7.1 million for services to students. In addition \$1.8 million was provided to continue the transfer center pilot project, \$900,000 to initiate pilot testing of a new management information system, and \$1.1 million for various activities and staffing to promote transfer and articulation and strengthen the oversight and administrative capabilities of the Chancellor's Office.

For 1988–89, the Governor's Budget proposes to build upon and add to the activities funded in 1987–88. In the second year of matriculation, it is proposed that services to students be increased to \$20.9 million, which is sufficient to serve students taking six or more units. The 1988–89 Budget also proposes additional funding of \$848,000 for transfer and articulation, \$300,000 to identify and address problems of underrepresented students, \$185,000 for matriculation staffing and evaluation, \$208,000 to support a process of consultation between the Chancellor's Office and the districts, \$155,000 for the Chancellor's Office to participate in projects of the California Education Round Table, \$150,000 for continued development of a district performance ac-

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countability process, and \$383,000 for staffing in various areas to strengthen and improve the administrative capabilities of the Chancellor's Office.

Apportionments. The Governor's Budget proposes an augmentation of \$98.9 million for a 4.79 percent cost-of-living adjustment (COLA) and equalization. In addition, \$28.4 million has been provided for Average Daily Attendance (ADA) growth within the statutory limitation (2.1 percent). Preliminary data suggest that ADA will increase in 1987–88 and 1988–89, continuing the rebound that began in 1986–87. For this reason, the 1988–89 Budget continues \$11 million for basic skills ADA over the growth cap, and adds \$8.5 million for other ADA over the growth cap. Total funding for 1988–89 apportionments represents an increase of \$640.8 million, or 45.2 percent over 1982–83. During this same period, expenditures per pupil will have increased by 46.5 percent. In real terms, this represents an increase of 21.2 percent.

Local Revenue. Revised estimates for 1987–88 local property tax and fee revenues reflect an increase of \$10.2 million over the amount initially budgeted. This increase, plus a \$300,000 increase in the State School Fund, covers increased enrollment needs of \$9.5 million in the current year and reduces the need for State funds by \$1 million. Local property tax and fee revenues in 1988–89 are projected to increase by \$47.4 million, or 7.1 percent over 1987–88, and \$325.5 million, or 82.8 percent, over 1982–83.

Lottery Revenues. Lottery revenues for the Community Colleges in 1988–89 are expected to be \$72.4 million, the same as the 1987–88 amount. These funds go directly to local Community College districts for their own allocation.

Deferred Maintenance. The Governor's Budget proposes \$15 million for deferred maintenance and special repairs. This program has a 50/50 matching requirement for the districts. The Administration places a high priority on the maintenance of buildings and has pro-

vided \$71.2million for this program over the 1982-83 funding level.

Instructional Equipment and Library Materials. From 1985-86 through 1987-88, the Administration has provided \$82 million from the General Fund, special funds and bond funds to assist districts in replacing obsolete instructional equipment and securing library materials. For 1988-89, the Governor's Budget proposes \$12.9 million General Fund and \$23.1 million bond funds, to be matched by \$12 million in district funds, to continue this effort. The \$12.9 million in State funds includes the reappropriation of \$1 million savings in 1987-88 apportionments.

Toxic Substances and Asbestos Abatement. To reduce exposure to hazardous substances within the Community Colleges, the Governor's Budget proposes \$5 million for continued removal and containment of hazardous substances (primarily asbestos, PCBs and underground tanks), and \$10 million from bond funds for abatement of severe asbestos problems. These funds will assist the Community Colleges in assessing the hazards of particular sites and treating the most hazardous problems.

Discretionary COLA. The budget proposes \$2.8 million for a 4.79 percent discretionary cost-of-living adjustment (COLA) for the following programs: Extended Opportunity Programs and Services, Disabled Students Programs and Services, Cooperative Agency Resources for Education, and the Transfer Center Pilot Project. This increase will enable these labor-intensive student services programs to maintain their level of services in the coming year.

Cooperative Agency Resources for Education (CARE). The Governor's Budget proposes to add \$700,000 to the CARE program, which provides special support services to welfare mothers seeking a college education. This will expand CARE services to half the counties in which CARE currently does not operate, and will enable the program to serve an additional 1,700 students.

***"The Student Aid
Commission (SAC)
provides financial
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academically
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needy students..."***

***"Under this
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grants will have
increased by 73
percent to serve a total
of 73,505 students."***

Middle College. The Governor's Budget proposes \$220,000 to initiate five-year funding for two Middle College sites. Middle College is a joint K-12 and community college effort to promote the high school graduation and college enrollment of high-risk high school students.

New Chancellor's Initiative Funds. The 1988-89 Budget proposes \$250,000 of one-time funds to provide the new Chancellor with flexibility to undertake new initiatives.

Capital Outlay. The Governor's budget proposes \$50.5 million in State funds for the Community Colleges capital outlay program. A general obligation bond proposal will be put before the voters in November, 1988 to fund 63 projects. The balance of funds for each project will be provided by the Community College districts. Community Colleges are expected to contribute a total of \$3.5 million during 1988-89. Of the proposed projects, 47 involve preparation of working drawings and/or construction and 16 are to provide equipment to complete previously funded projects. Included in the \$50.5 million total is \$250,000 for systemwide project planning.

California Student Aid Commission

The Student Aid Commission (SAC) provides financial assistance to academically qualified, financially needy students pursuing postsecondary educational opportunities. In 1982-83 the Commission administered \$86.4 million in grant assistance to 64,123 students. Under this Administration, total grants will have increased by 73 percent to serve a total of 73,505 students. In 1988-89 the cost of the total aid program will be \$149.3 million.

Cal Grant A. The Cal Grant A program is a scholarship program for financial needy, academically eligible students. The awards cover the students' fees and tuition. The Governor's 1988-89 proposal sustains the increases of previous budgets and addresses overcrowding at the University of California and the California State University. At many cam-

puses students are denied enrollment and are redirected to a different campus because of physical capacity limitations. To relieve some of the pressure on public institutions, an increase of \$13.8 million is proposed to raise the maximum grant to \$5,400 for students in non-public, four-year institutions to attract students to those institutions. Under this proposal, the maximum grant would be equal to approximately 65 percent of the average tuition of non-public institutions in the State. For students in public institutions, \$1.3 million is proposed to increase their maximum grant 4.5 percent.

The total number of students receiving Cal Grant A awards in 1988-89 will be 42,471, a 58.2 percent increase over 1982-83. Total State funding for Cal Grant A awards will have increased from approximately \$48 million to \$99.1 million, or 106.5 percent, over 1982-83.

Cal Grant B. The Cal Grant B program provides awards to low income and disadvantaged students to increase the access of such students to higher education. The awards cover tuition, fees and student living expenses. The 1988-89 Budget proposal sustains the increases of previous budgets and proposes an additional \$1.2 million to raise the maximum grant of students enrolled in non-public colleges and universities to \$5,100 for tuition and fees. For students in public institutions, \$1.8 million is proposed to increase their maximum grant 4.5 percent.

The total number of students receiving these awards in 1988-89 will be 24,750, a 22.1 percent increase over 1982-83. Total State funding for Cal Grant B awards will have increased from approximately \$21 million to \$40.6 million, or 93.2 percent, over 1982-83.

Cal Grant C. The Cal Grant C program provides awards to students enrolled in occupational training programs of four months to two years in length. Eligibility for the awards is based on a student's financial need and the degree of worker shortage in the student's

"The total number of students receiving Cal Grant A awards in 1988-89 will be 42,471, a 58.2 percent increase over 1982-83."

chosen occupation. Total State funding for 2,307 Cal Grant C awards will be \$3.1 million, a 55 percent increase over 1982-83.

Graduate Fellowship Program.

The Graduate Fellowship program provides awards to financially needy graduate and professional students, with emphasis on fields with personnel shortages. Total State funding for 918 Graduate Fellowship awards in 1988-89 will be \$3 million, or 25 percent higher than the 1982-83 level.

Guaranteed Student Loan Program.

The Student Aid Commission also administers the State Guaranteed Student Loan Program and serves as the State guarantee agency for federally reinsured student loans. This rapidly expanding program is expected to generate approximately \$702 million in new loans for 259,100 students during 1988-89, bringing the total outstanding loans of the program to \$6.1 billion as of June 30, 1989.

As a result of aggressive default prevention measures, the Commission estimates that the amount of loan defaults will decrease from more than \$200 million in 1986-87, to approximately \$160 million in 1988-89.

Teacher Incentive Program.

Because of the increasing K-12 enrollment and the anticipated retirement of existing teachers during the next decade, the State is attempting to attract more college students to the teaching profession. Besides providing a substantial amount of funds for general salary increases of K-12 teachers and increasing the salaries of beginning teachers, the Administration has signed legislation to purchase the student loans of persons who enter the teaching profession.

Assumption Program of Loans for Education (APLE).

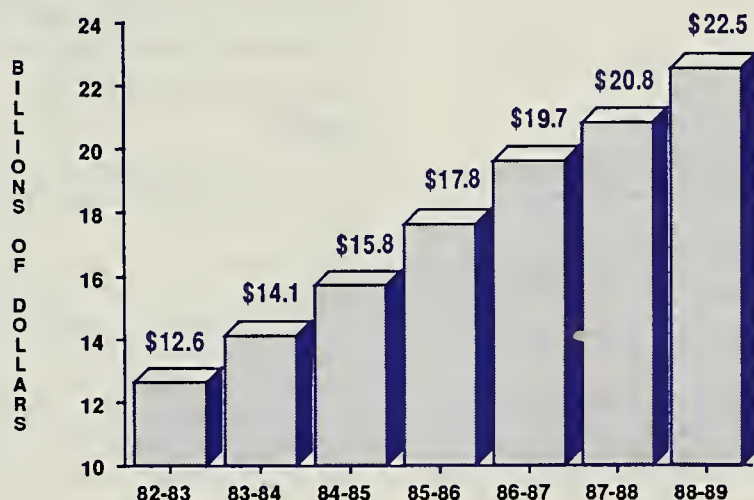
Under the APLE program, 500 warrants will be authorized each year to students in teacher training education programs. For 1988-89, \$600,000 is budgeted to redeem warrants issued in previous years.

TABLE 3-2
TOTAL REVENUE FOR K-12 EDUCATION
1982-83 THROUGH 1988-89
(Dollars in Millions)

<i>Source of Funds</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87*</i>	<i>1987-88*</i>	<i>1988-89*</i>
State General Fund	\$7,743	\$8,930	\$10,013	\$11,072	\$12,245	\$12,579	\$13,556
Lottery Fund	—	—	—	558	411	493	493
Other State Funds	189	213	420	334	757	887	1,262
Federal Funds	1,030	1,202	1,190	1,246	1,336	1,454	1,451
Local Property Taxes	2,462	2,541	2,867	3,195	3,451	3,809	4,049
Local Debt Service	450	444	425	391	338	304	273
Local Miscellaneous	758	803	863	956	1,119	1,305	1,433
TOTAL REVENUE	\$12,632	\$14,133	\$15,778	\$17,752	\$19,657	\$20,831	\$22,517

* Estimated

Figure 3 - 1
Total Revenue for K—12 Education
1982-83 Through 1988-89



State Work Study Program. The State Work Study Program authorized by Chapter 1196, Statutes of 1986, will help students finance their college education by placing them in employment related to their course of study or career interest. For 1988-89 the Governor's Budget continues for the second year \$750,000 for work study grants to 1,500 students on 15 campuses.

Elementary and Secondary Education

California's elementary and secondary education system is composed of 1,025 local school districts and 58 county offices of education which spend over \$20 billion annually in educating approximately 4.6 million students ranging in age from 3 to 18 and approximately 1.6 million adults.

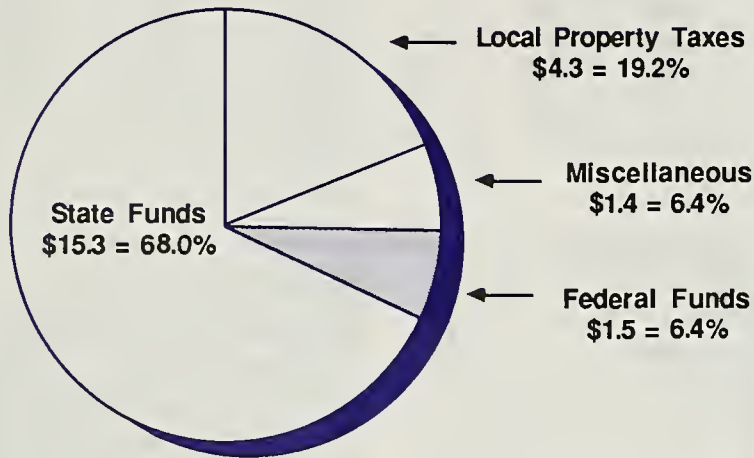
As indicated in Table 3-2 and Figure 3-1, approximately \$22.5 billion of the public's resources will be devoted to the State's public elementary and secondary education system during 1988-89. This represents an increase of 78 percent above the \$12.6 billion devoted to K-12 education when this Administration assumed office.

As Figure 3-2 indicates, revenue for the support of K-12 education comes from various sources. Approximately 68 percent (\$15.3 billion) is provided by the State. Another 19 percent (\$4.3 billion) comes from local property taxes. The remaining 13 percent comes from the federal government (\$1.5 billion) and from miscellaneous local sources (\$1.4 billion).

Continuing Commitment to Education

Providing a quality education for the people of California continues to be the highest spending priority of the

Figure 3 - 2
Revenue for California's Schools
(In Billions of Dollars)
Where Money Comes From



Administration. The 1988–89 Governor's Budget will help ensure that California's educational system continues to be among the best in the nation.

In the 1983–84 fiscal year, the Governor signed Chapter 498, Statutes of 1983 (SB 813), which initiated reforms in the area of student academic performance and discipline, curriculum and quality of teachers. To assist local education agencies in implementing those reforms, the Governor approved substantial increases in Kindergarten through Grade 12 education funding in Fiscal Years 1983–84 through 1987–88. Since the enactment of SB 813, local education agencies have received approximately \$1 billion of new revenue in 1983–84, \$1.4 billion in 1984–85, \$1.3 billion in 1985–86, \$1.2 billion in 1986–87, \$700 million in 1987–88, and will receive \$1.1 billion in 1988–89.

In keeping with the Administration's commitment to improve the quality of K–12 education in the State, the Governor's Budget proposes a

***"...funding will
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funding level of \$17.3 billion in State and local funds, an increase of \$1.1 billion above the 1987–88 level. This funding will provide the State's public schools with \$3,666 per student, which is the greatest amount ever recorded, even after adjusting for inflation.

As Table 3-3 indicates, expenditures per student will have increased from \$829 to \$3,666 between 1970–71 and 1988–89. This increase is shown graphically in Figure 3-3.

As Table 3-3 also indicates, 1988–89 expenditures per student, in real terms, will be 54.6 percent higher than in 1970–71. Of particular significance, real expenditures per student will have increased from \$2,808 in 1982–83 to \$3,552 in 1988–89. This represents a 26.5 percent increase in real expenditures per student during the first six budgets of this Administration. In comparison, real expenditures per student declined by three percent, from \$2,897 to \$2,808, during the six years before this Administration assumed office.

Highlights of the K-12 Budget

The new K–12 education funds provided by the 1988–89 Governor's Budget will:

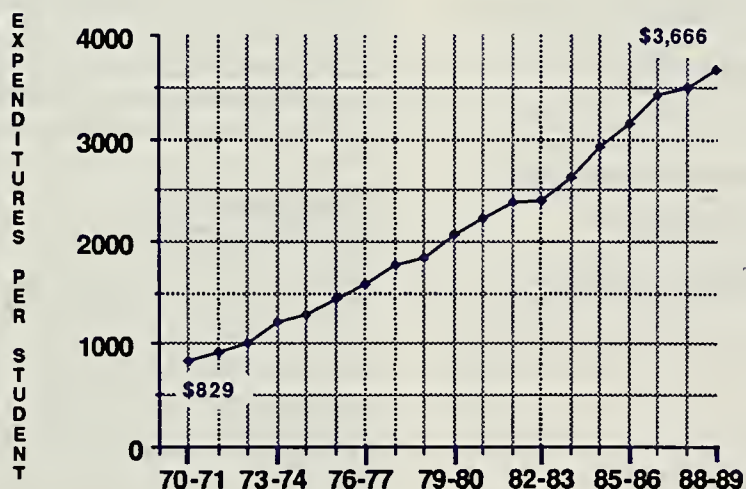
- Continue funding the reform movement begun by SB 813 and add \$340 million for enrollment increases and \$680.1 million for cost-of-living adjustments.
- Provide \$20 million to continue the Administration's efforts to equalize school district funding.
- Provide an additional \$3.1 million to County Offices to complete juvenile court school equalization consistent with the Serrano v. Priest decision.
- Provide an additional \$2.6 million in remedial educational services for Greater Avenues for Independence (GAIN) program participants. In addition, the Governor's Budget continues \$4.6 million targeted for GAIN in 1987–88 and targets an additional \$5.6 million for GAIN services, English-as-a-Second Language (ESL), and

TABLE 3-3
K-12 EXPENDITURES PER STUDENT

	<i>K-12 Expenditures per Student (Dollars)</i>	<i>GNP Deflator (1987-88 = 100)</i>	<i>Real K-12 Expenditures per Student (In 1987-88 Dollars)</i>
1970-71.....	\$829	36.1	\$2,297
1971-72.....	925	38.0	2,434
1972-73.....	1,011	39.9	2,534
1973-74.....	1,219	43.1	2,828
1974-75.....	1,290	47.5	2,716
1975-76.....	1,452	51.2	2,836
1976-77.....	1,576	54.4	2,897
1977-78.....	1,777	58.1	3,059
1978-79.....	1,849	63.0	2,936
1979-80.....	2,066	68.5	3,016
1980-81.....	2,224	75.2	2,957
1981-82.....	2,391	81.4	2,937
1982-83.....	2,398	85.4	2,808
1983-84.....	2,623	88.5	2,964
1984-85.....	2,918	91.6	3,186
1985-86.....	3,270	94.2	3,472
1986-87.....	3,434	96.8	3,548
1987-88.....	3,500 *	100.0 *	3,500 *
1988-89.....	3,666 *	103.2 *	3,552 *
Percentage Change 1970-71 to 1988-89.....	342.2	185.9	54.6
Percentage Change 1982-83 to 1988-89.....	52.9	20.8	26.5

* Estimated

Figure 3 - 3
K-12 Expenditures Per Student
1970-71 To 1988-89



basic education programs as priorities indicate.

- Provide an additional \$12.9 million to permit five percent of the State's teachers to receive mentor teacher stipends of \$4,000 and support funding of \$2,000.
- Continue development and implementation of the California Assessment Program, with augmentations of \$3.5 million and six positions to revise English language arts and math tests for grades 3, 6, 8 and 12; develop tests for grade 10; develop a direct writing assessment for grade 6; and institute development of a comprehensive assessment system.
- Provide \$20 million to fund additional supplemental summer school classes. Under this proposal, districts will be eligible to receive funding for seven percent of their enrollment. Priority for

funding would be given to high school students who have failed courses required for graduation under SB 813. Funding also would be available to help students meet college entrance requirements.

- Provide \$10 million to increase the level of instructional materials funding by \$8 million at the elementary level and \$2 million at the secondary level. These amounts are in addition to the \$5.4 million increase provided for the statutorily driven instructional materials funding formulas.
- Provide an additional \$12.9 million for the School Improvement Program (SIP). Of this amount, \$8.3 million is to maintain the current statewide percentage of K–6 enrollment in SIP of approximately 82 percent. The remaining \$4.6 million is for planning grants to expand SIP in grades 7 and 8.
- Provide \$10 million for professional and staff development for teachers and school business office staff.
- Provide \$1.9 million in conjunction with \$1.1 million provided to the Commission on Teacher Credentialing to jointly develop pilot projects to evaluate the efficacy of various beginning teacher support programs and assessment methodologies.
- Provide \$1 million to research and develop software which will integrate curricula with existing hardware capabilities.
- Provide \$600,000 (\$300,000 General Fund) to double the size of the Partnership Academies Program which provides "at-risk" students with academic and job-specific employment training.
- Provide \$550,000 to initiate a three-stage plan of monitoring and assisting local education agencies in improving student academic performance, and providing for intervention by the State Department of Education when appropriate.
- Set aside \$86.6 million for the Urban Impact and Meade Aid pro-

"Wise investments in staff development are crucial to maintaining a well-trained teaching force and to the smooth operation of schools."

"The Governor, State Superintendent of Public Instruction and California Commission on Educational Quality support the development of an innovative statewide comprehensive assessment system."

grams pending the report of the task force established pursuant to Chapter 1137, Statutes of 1987.

Cost-of-Living Increases

The Governor's Budget proposes \$680.1 million in 1988–89 for cost-of-living adjustments (COLAs). Of this amount, \$666.2 million will fund a statutory COLA of generally 4.37 percent for programs that receive statutory COLAs. An additional \$13.9 million is proposed for a 4.37 percent COLA for pre-school and child care programs.

Lottery Revenues

Lottery revenues for K–12 education are expected to remain constant at \$493 million in 1988–89. Lottery funds are directed to local education agencies and are used for those agencies' highest priorities. The funds are used to augment, rather than replace, funds already allocated for public education.

Staff Development

Wise investments in staff development are crucial to maintaining a well-trained teaching force and to the smooth operation of schools. Moreover, each school must have the capacity to plan and carry out a staff development program tailored to its instructional goals.

The Governor's Budget, therefore, proposes \$10 million for a new professional and staff development program for teachers and school business office staff. The program will provide curriculum support, and assist schools in developing their own instructional programs and enhancing fiscal and management skills.

Comprehensive Assessment System

Currently, the State and local school districts administer a variety of tests to meet different purposes. The system is unnecessarily duplicative, costly and consumes valuable instructional time. The fragmented system also impedes the influence a testing program can have in focusing instruction on clear curriculum expectations.

The Governor, State Superintendent of Public Instruction and California Commission on Educational Quality support the development of an innovative statewide comprehensive assessment system. The purpose of the system would be to improve the relevance and responsiveness of test information obtained, to reduce the amount of time spent on testing and inform parents and taxpayers about individual student progress on required skills.

School District Fiscal Accountability

Since the passage of Proposition 13 in 1978, primary funding of local education agencies has shifted from local sources to State sources. Currently, about 70 percent of funding for education is provided by the State. Although Proposition 13 did not remove local control responsibilities, the resultant reduction of taxing authority, the increased financial support provided to local education agencies by the State and an awareness of the financial management problems addressed by the Governor's Commission on Educational Quality indicates increased review and training efforts by the State are necessary to ensure that local education agencies have the fiscal management knowledge and skills to prudently manage the educational program.

The Governor's Budget recognizes this need for training and increased review of local education agencies. In particular, as part of a larger staff development effort, the Governor's Budget proposes an augmentation of one million dollars for the School Business Personnel Staff Development Training Program established by Chapter 1149, Statutes of 1985. Additionally, the 1988-89 Budget provides the Department of Education \$1.5 million and seven positions to increase efforts of reviewing local education agencies' fiscal practices to identify problems and assist in resolving the problems before the agency is in serious fiscal difficulty.

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Special Education

In 1985-86, the Governor initiated a three-year, \$180 million plan to address the most pressing needs of the special education program to provide program improvements and implement reforms desired by the Administration. The Governor's Budget continues to address the needs of handicapped students by providing \$72.4 million for program growth and special projects, \$64.2 million from the General Fund and \$8.2 million in federal funds. With these augmentations, total special education entitlements of \$1.8 billion will provide an education to 412,000 handicapped pupils in California.

Since 1984-85, the Administration has provided funds for: the purchase of specialized equipment for pupils with low incidence disabilities; expanding the special education infant program; increasing the number of instructional aides; incentive funds for county offices of education to adopt a longer school day and year; and overall program growth. Additionally, the Governor signed legislation (Chapters 1216, 1376 and 1530, Statutes of 1985), to establish several pilot projects designed to identify pupils with potential learning disabilities and to provide assistance to those pupils before special education becomes a necessity.

Major reform of the program cost accounting methods used by local education agencies was initiated in 1985-86. The 1986 Budget Act authorized the creation of the Special Education Fiscal Task Force, which is currently reviewing the new cost data and will report on recommended changes to the special education funding mechanism in February, 1988.

A \$64.2 million General Fund augmentation for program growth is proposed for 1988-89.

Augmentations proposed for federal funding in 1988-89 include:

- \$2 million to expand Project Work Ability.
- \$1.5 million to fund Licensed Children's Institution growth units.

- \$1.7 million to fund specialized services to pupils with low incidence disabilities.
- \$1.5 million to expand the Personnel Development Inservice Training Program.
- \$1.2 million for inservice training for teachers in preschool programs.
- \$200,000 to analyze program effectiveness and to conduct special studies.
- \$50,000 to assess statewide teacher training needs.

As indicated in Table 3-4, since taking office, the Governor has increased total special education expenditures by 57.7 percent, and General Fund special education expenditures by more than 73 percent.

Literacy

Experts estimate that there are over 2.5 million Californians over age 16 who are functionally illiterate. In 1984, California initiated a demonstration project known as the California Literacy Campaign (CLC), designed to provide literacy programs for adults in local library jurisdictions throughout the State. Currently, there are 63 local CLC programs in California. The 1988-89 Governor's Budget proposes to increase these local programs to more than 80 statewide.

In another effort to combat illiteracy in California, the 1988-89 Governor's Budget also includes \$810,000 to initiate the Families for Literacy program. This is a separate literacy program that can be implemented in coordination with the established CLC program or other programs that develop reading skills. This new program signed into law by the Administration, is designed to offer adult learners with preschool age children an opportunity to break the cycle of illiteracy by providing necessary instructional and resources that will create and develop reading skills for their children. It is anticipated that these resources will implement 12 to 20 local programs throughout the State.

“... more than \$107 million ... will be expended on ESL programs operated by school districts in 1988-89.”

English-as-a-Second Language Programs

California has made a significant commitment to the education of adults needing to learn the English language. Many foreign-born California adults are learning to speak the English language through refugee assistance programs administered by county welfare departments and in classes sponsored by private groups, such as churches and individual businesses. However, the majority of this training is conducted by K-12 school districts and community college districts through adult education programs.

In 1986-87, this Administration provided augmentations of \$1 million for English-as-a-second language (ESL) funding, \$689,000 for high priority adult programs including ESL, and \$3.2 million for growth in base ADA all or part of which was available to expand ESL programs. In 1987-88, a \$6 million one-time augmentation was provided for ESL classes to address extraordinary needs in this area. For 1988-89, the Administration proposes to continue that \$6 million and to target an additional \$5.6 million for ESL, GAIN and basic education.

In total, more than \$107 million (39 percent of the adult education appropriation) will be expended on ESL programs operated by school districts in 1988-89. During the term of this Administration, ongoing State expenditures for adult education

Table 3-4
SPECIAL EDUCATION FUNDING
(Dollars in Millions)

	<i>Expenditures</i>	<i>General Fund</i>	<i>Number of Pupils</i>
1982-83.....	\$1,143.4	\$632.9	361,000
1983-84.....	\$1,257.2	\$728.7	361,000
1984-85.....	\$1,339.5	\$775.4	366,000
1985-86.....	\$1,481.9	\$878.7	375,000
1986-87.....	\$1,640.3	\$1,004.8	378,000
1987-88.....	\$1,739.8	\$1,063.5	380,000
1988-89.....	\$1,803.7	\$1,097.5	412,000
Percentage Change			
1982-83 to			
1988-89.....	+57.7%	+73.4%	+14.1%

ESL programs have increased by more than \$52 million.

Immigration Reform and Control Act (IRCA)

The Department of Finance estimates that approximately 900,000 undocumented aliens, including 100,000 Special Agricultural Workers (SAWS), will be granted temporary legalization status in California under the terms of Public Law 99-603, the Immigration Reform and Control Act of 1986. These aliens will have the opportunity to convert to permanent legal residency 18 to 30 months after having been granted temporary legalization. At the time of the interview for permanent residency, the aliens other than SAWS must demonstrate to the Immigration and Naturalization Service that they meet naturalization standards with respect to having achieved a minimal understanding of ordinary English and the history and government of the United States, or that they are making satisfactory progress in a course of instruction approved by the United States Attorney General.

Many State and local programs, including adult education, will experience workload increases as a result of the growth in the number of the State's legal residents. In recognition of the nationwide impacts upon State and local programs, Congress has appropriated a total of \$4 billion, or \$1 billion a year nationwide, for federal Fiscal Years 1987 through 1990. It is estimated that California will receive approximately \$1.7 billion of this amount over four years.

***“The Governor’s
Budget recognizes that
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and by providing safe,
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nurturing
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children.”***

The Administration proposes to allocate approximately \$351 million of the IRCA funding, including \$84.1 million in the budget year, to educational programs. This proposed level of funding is subject to re-evaluation as workload/case-load data develops, particularly with respect to those programs in which the level of service or benefit is fixed rather than discretionary.

The principal purpose of the proposed educational funding level is to aid temporarily legalized aliens in becoming permanent residents by funding ESL courses, as well as history and government instruction.

The IRCA educational funding also would allow supplemental K-12 services to those alien children who meet the Emergency Immigrant Education Act regulatory requirement of having had less than three years of education within the United States. In particular, it is proposed that the Department of Education be given the flexibility to target K-12 supplemental funding to those districts which are highly impacted by the number of eligible legalized alien children and which formally apply for funding. (For additional detail, see California’s Implementation of the Immigration Reform and Control Act in the Health and Welfare Section of this Summary.)

Child Care

California has been providing child care services to needy, eligible families since 1929. Child care is provided through 15 different Department of Education-administered programs operated by a variety of private and public agencies.

Child care and development programs provide part-time and full-time child care and supportive services to children at risk of neglect or abuse, and to children from families with low income and other special needs.

The Governor’s Budget recognizes that child care services play an important role in assisting families to become self-sufficient by enabling parents to work or receive employment training; and by providing safe,

**Table 3-5
IRCA EDUCATIONAL FUNDING
(In Millions)**

	1987-88	1988-89	1989-90	1990-91	1991-92	Total
Adult Education... (ESL & Civics)	\$30.0	\$80.0	\$110.0	\$90.0	\$27.1	\$337.1
K-12 Supplemen- tal	4.2	2.8	1.4	—	—	8.4
SDE & CCC .....	.6	1.3	1.7	1.4	.5	5.5
Administration..						
Total	\$34.8	\$84.1	\$113.1	\$91.4	\$27.6	\$351

appropriate and nurturing environments for their children.

In recognition of operating cost increases in these programs, the Governor's Budget proposes a 4.37 percent cost-of-living adjustment for these programs, which is equal to the percentage cost-of-living adjustment provided for District Revenue Limits.

School Construction

Historically, local school districts had the primary responsibility for financing their own school construction. They did so from resources derived primarily from the sale of local general obligation bonds or by borrowing from the State. State participation was limited to providing loans from the proceeds of State School Building Aid bond sales, which districts repaid by levying additional property taxes to make the necessary loan repayments. In either case, district voters had to approve the borrowing by a two-thirds vote.

With the passage of Proposition 13 in 1978, school districts' ability to raise their own revenue was severely curtailed. As a result, the State has assumed an increasing responsibility for school construction needs.

The primary program for construction and reconstruction of schools is the State School Building Lease-Purchase program. That program provides State grant funds for local school capital outlay in accordance with the relative prioritization system of the State Allocation Board, which is based on school districts' need to house current and projected unhoused pupils.

The primary source of funding for this program is revenue from the sale of State general obligation bonds (\$1.75 billion since 1982) and an annual appropriation of Tidelands Oil revenue (\$150 million per year). (Refer to the State/Local Government Partnership Section of this Summary.)

Projected School Growth. During the 1970s school districts statewide experienced a decline in en-

rollment, causing a general under-utilization of existing school facilities. Enrollment is now increasing at an annual rate of about two percent statewide, and exceeding four percent in many districts. Until 1986, funds to meet the need for new schools to accommodate this increasing enrollment were not available.

To counter the effects of continued growth and an estimated \$4 billion, 5-year need for K-12 school construction, the Administration supported the enactment of legislation to improve local funding mechanisms and provide additional State resources to meet this need. The ability for school districts to assess fees on new residential and commercial construction was a major mechanism to enhance a district's ability to increase local revenue. It was anticipated that a district's share generated from this mechanism could account for as much as 25 percent of the cost of the project. While it is still too early to accurately project the amount of local revenue generated from these fees, recent estimates, based on reports to the Office of Local Assistance, indicate that the local participation is less than 25 percent for the first year. Together with providing incentive payments to districts operating year-round schools, these modifications were intended to establish a local and State partnership for the construction of new school facilities to meet the increasing school enrollment growth.

In 1986, the voters authorized the enactment of the Administration-sponsored State School Building Lease-Purchase Bond Act of 1986 (Chapter 423, Statutes of 1986). This act authorized the sale of \$800 million of general obligation bonds, the proceeds of which were for construction, renovation and rehabilitation of K-12 school facilities. The Administration's five-year proposal had anticipated another \$800 million in school construction bonds for 1988. However, because of the increasing needs, the Governor has proposed doubling this amount to \$1.6 billion in 1988 bonds to be di-

*“... because of the
increasing needs, the
Governor has
proposed ... \$1.6
billion in 1988
bonds. ...”*

vided between two ballot issues, one for June and one for November.

The need to support two bond acts is predicated on the demand as described above and on the fact that, until recently, Tidelands Oil revenue provided a major contribution to school construction financing. Because of the recent decline of oil and gas prices, Tidelands Oil revenues are not sufficient to fund the statutory commitment of \$150 million for 1988–89. However, with the enactment of the proposed bond measures during 1988, the Tidelands Oil revenue shortfall is expected to have no impact on the State school construction program.

State Contributions to the State Teachers' Retirement System (STRS)

The State Teachers' Retirement Fund, according to the actuarial valuation completed in July 1985, had an unfunded liability of \$10.9 billion. In recognition of the need to address the unfunded liability issue, the Administration has taken a number of steps to reduce the obligation by a substantial amount. Since July, 1983, the unfunded liability has decreased by \$2.6 billion.

The 1988–89 Budget continues these efforts. Specifically, the Governor's Budget proposes fully funding the State's contributions required under Chapter 282, Statutes of 1978, with an appropriation of \$414.2 million.

Purchasing Power Protection.

Since 1973, retired teachers have received an annual two percent increase in their benefits to compensate for inflation. Despite this increase, many retired teachers have experienced a severe reduction in their ability to purchase goods and services with their fixed incomes as a result of the inflationary economy of the recent past.

Prior administrations allocated no additional State funds to alleviate the fiscal difficulties faced by these retired teachers.

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of their original
purchasing power.”*

This Administration has recognized the need to provide assistance to these citizens by budgeting \$20.5 million in 1983–84, \$40.4 million in 1984–85, \$72.2 million in 1985–86, \$110.7 million in 1986–87 and \$124.2 million in 1987–88 for this purpose.

The Administration continues to make this a high priority by proposing that \$144.8 million be spent in 1988–89 to address the problem.

With a General Fund appropriation of \$144.8 million and \$4 million in School Lands Royalties, an estimated 60,220 STRS retirees will benefit by the Governor's Budget proposal, which provides sufficient funding to guarantee that no retired teacher will see his or her retirement benefits fall below 68 percent of their original purchasing power.

Lottery

Proposition 37, approved by California voters on November 6, 1984, authorized the establishment of a statewide lottery. The lottery initiative requires that 50 percent of the proceeds from lottery ticket sales be paid out as lottery prizes and that no more than 16 percent of the proceeds be used for administrative costs. The remainder of the proceeds (at least 34 percent of the total) are to be placed in a special fund, known as the California State Lottery Education Fund, to be used for the benefit of public education. Chapter 1362, Statutes of 1986, authorized the Department of Youth Authority to receive lottery funds beginning January 1, 1987 for its education programs which serve grades K–12.

With the enactment of Chapter 1362, the following seven organizations are allocated lottery funds for public education purposes on a per capita basis:

- K–12 education
- California Community Colleges
- The California State University
- University of California
- Hastings College of the Law
- California Maritime Academy

-
- The Department of the Youth Authority

In all instances, lottery funds are used to augment, rather than replace, funds already allocated for public educations and are to be spent for instructional purposes.

Ticket sales began on October 3, 1985 with the sale of instant game tickets. By the end of the first fiscal year in which the Lottery was operational, the Lottery had sold over \$1.76 billion in instant tickets, far more than projected. Of that amount, \$690 million went to educa-

tion. Continued marketing and sales innovations such as Lotto—Quick Pick and a Wednesday draw have stimulated revenues.

In its first two fiscal years of existence, the Lottery has generated sales of \$3.15 billion, paid prizes totalling \$1.58 billion and contributed over \$1.19 billion to education. In 1987–88 and 1988–89 the Lottery is expected to provide over \$600 million each year to education, which approximates \$107 per average daily attendance.



Public Safety

Public Safety programs continue to be a high priority for 1988–89. The Administration is continuing its criminal justice efforts to reduce crime and its impact on society by supporting tougher laws and increased penalties. This Governor's Budget provides for the expanded correctional programs needed to support the steadily increasing prison and parole populations which are the result of efforts to protect the California public.

In 1987–88, existing prisons have been modified and staffed for overcrowding and several new facilities are being activated. For 1988–89 the Governor's Budget continues the current staff expansion needed to fully activate the new prisons which are currently under construction.

The following highlights some of the major proposals included in the 1988–89 Governor's Budget.

Department of Corrections

The Department of Corrections is charged with the responsibility for the control, care and treatment of convicted felons and civilly committed nonfelon narcotic addicts. The Department now operates 17 correctional institutions, 7 reception centers and 35 camps.

Program Activities. In order to meet the rapidly expanding inmate population's security and support needs, the Governor's Budget provides over \$1.66 billion and 23,000 personnel years for 1988–89. Funds proposed in 1988–89 include the fol-

"This Governor's Budget provides for the expanded correctional programs needed to support the steadily increasing prison and parole populations which are the result of efforts to protect the California public."

lowing major elements:

- Prison expansion—The inmate population will increase by 9,115 in 1988–89, for a total of 80,975, despite the impact of Chapter 1435, Statutes of 1987, which slowed the increase by allowing return-to-custody parole violators to earn work credit against their sentences. In order to provide custody, security and support services for this increased institution population, the Governor's Budget proposes to add 2,245 personnel years at a cost of \$145.8 million.
- Parole program—The parole population will increase by 5,155 parolees in 1988–89, for a total of 52,760. Supervision of this population will require the addition of 154 personnel years at a cost of \$25.7 million.

Prison Construction

The California prison system continues to experience serious pressure from the growth of the inmate population. As increasing numbers of felons are being committed to the custody of the Department of Corrections, the need for inmate housing has dramatically increased. For example, between June, 1981 and June, 1987, the inmate population increased from 26,768 to 64,737 and is projected to reach 71,860 in June, 1988, and 80,975 by June, 1989.

New Facility Construction. Primarily through the construction of new prison facilities, significant accomplishments have been made to house the ever-increasing numbers of inmates. Ten new facilities, in-

cluding three 500-bed additions and a special housing unit for women, are now fully occupied. Four new prisons, California State Prison—Corcoran, Mule Creek State Prison, Amador County, Chuckawalla Valley State Prison, Riverside County and California State Prison—Del Norte, are under construction. Since 1984, more than 16,000 new beds have been added to the system. Approximately 3,000 more beds will be occupied by the end of 1987–88. Another 7,000 are scheduled for completion by June 30, 1991, including the women's facility in Madera County that was authorized in 1987. Planning and design are also underway on two prisons in Los Angeles County with approximately 4,000 beds. Refer to Table 4-1 for a listing of all new facility construction.

Construction Financing. Financing the cost of new prison construction has been provided primarily through the 1981, 1984 and 1986 Prison Construction Bond Acts, totaling \$1.3 billion. In addition, the Legislature has authorized financing the construction of prisons through private sector-based lease-purchase arrangements. Within the \$1.2 billion limit established by the Legislature, a total of \$932.5 million in revenue bonds has been issued to finance the acquisition, construction and underwriting of prison facilities. A portion of the \$1.2 billion authority has been used as security to obtain interim financing for the facility for women in Madera County. Through a combination of General Fund appropriations, general obligation bonds and lease-purchase authorizations, sufficient funding is in place to complete all of the projects currently authorized, except for the prison in northern Los Angeles County. The Legislature has made appropriations from the pending New Prison Construction Bond Act of 1988 to fund the construction of the prison in northern Los Angeles County and repay the interim financing for the women's facility in Madera County. If enabling legislation is passed and approved by the voters, these appropriations will take effect. This Bond Act will also provide the means to finance the con-

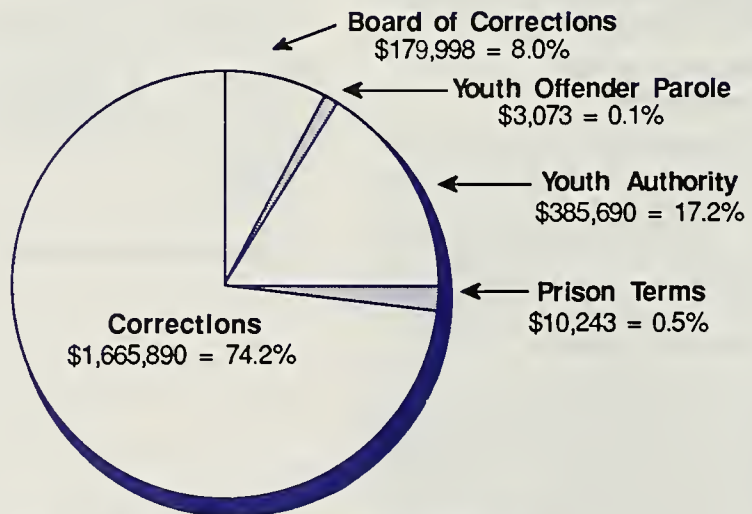
*“... the Department
of Corrections ... is
engaged in the largest
new prison
construction ever
undertaken. ...”*

struction of other new facilities and pay the cost for the renovation, remodeling and deferred maintenance of existing facilities.

Design Bed Capacity. During the past few years, the Department of Corrections, which is engaged in the largest new prison construction program ever undertaken, has added more than 16,000 new beds systemwide. This reduced overcrowding to approximately 160 percent of design bed capacity as of November, 1987. However, projections indicate that inmate population will reach 100,000 in mid-1992 while completion of currently authorized prisons will provide a design capacity of approximately 57,000 beds. (Refer to Figure 4-2.) Therefore, it is essential that California continue to plan for the funding, siting and construction of correctional facilities to address this critical need for additional capacity.

Chapter 1393, Statutes of 1986, requires the Department of Corrections to conduct site suitability studies for correctional facilities in Imperial County and western Kern County. Chapter 145, Statutes of

Figure 4 - 1
Youth and Adult Correctional Agency
Proposed 1988-89 Expenditures*
Amounts in Thousands
(All Funds)



*Includes State Operations and Local Assistance costs only.

1987, requires the Department of Corrections to complete a preliminary evaluation of sites for the purpose of potentially locating a prison in or near Coalinga in Fresno County. There is currently no funding available beyond that appropriated for the required studies.

Existing Facility Renovation.

The current prison population expansion also puts a severe strain on existing institutions. The accelerated deterioration associated with prolonged overcrowding, combined with court decisions which specify conditions under which inmates may be housed, requires major capital outlay improvements to several existing facilities.

Provisions in the Governor's Budget to upgrade the State's existing prison facilities include:

- Continuation and expansion of the Conservation and Maintenance Camp Construction program which has activated 600 beds since 1984. Currently under construction are 480 beds due for completion by February, 1988. By the end of Fiscal Year 1988-89, it

***"Ten new facilities . . .
are now fully
occupied. . . . Four new
prisons . . . are under
construction."***

is anticipated that 120 additional beds will be added to the 1,080 previously described.

- Improvement of security features to accommodate the higher and more aggressive inmate population.
- Renovation projects to bring three hospitals into substantial compliance with licensing standards.
- A number of projects to improve emergency electrical systems and upgrade existing electrical distribution systems.

Additionally, current year efforts include:

- Court-ordered renovation of 2,503 cells, the laundry and kitchen floor at San Quentin. The cell block renovation, which is a major portion of the project, includes plumbing, heating, windows, electrical repair and fire sprinkler installation.

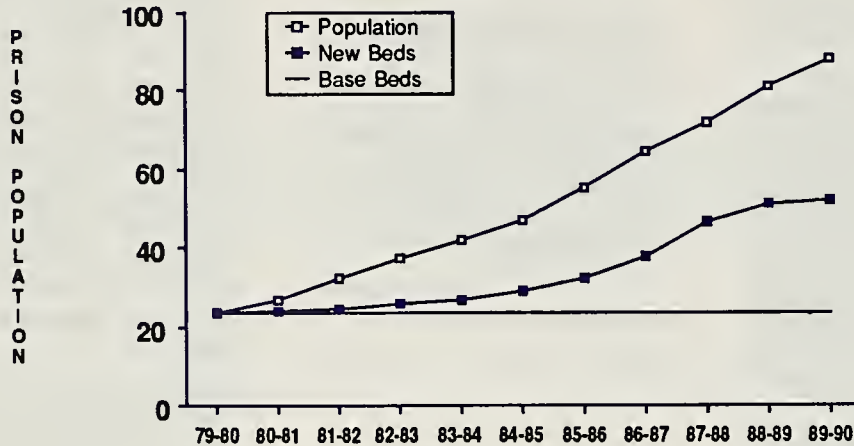
Department of the Youth Authority

The primary objectives of the Department of the Youth Authority are

**Table 4-1
NEW FACILITY CONSTRUCTION**

<i>Project</i>	<i>Design Bed Capacity</i>	<i>Construction Start</i>	<i>Initial Occupancy</i>
California Men's Colony-West	900	1983	June 1984
Modular Housing Units	1,000	N/A	June 1984
Camps	1,270	Various	June 1984
California Medical Facility South	2,404	1/5/84	October 1984
Southern Maximum Security Complex. 500-Bed Additions.....	1,000 1,500	6/27/83 11/26/85	October 1985 August 1986
California State Prison-Sacramento	1,728	4/1/85	October 1986
California State Prison-Avenal	3,034	12/23/85	January 1987
California Institution for Women-Special Housing Unit.....	100	10/29/86	June 1987
Mule Creek State Prison, Amador County	1,700	1/2/85	June 1987
Northern California Women's Facility .. Richard J. Donovan Correctional Facil- ity at Rock Mountain	400 2,200	11/21/85 5/9/85	July 1987 July 1987
California State Prison-Corcoran.....	2,924	9/8/86	February 1988
Chuckawalla Valley State Prison, Riv- erside County	2,000	5/21/87	July 1988
California State Prison-Del Norte	2,280	3/23/87	May 1989
California Reception Center-Los Angeles	1,450	N/A	Schedule Pending
California State Prison-Los Angeles	2,200	N/A	Schedule Pending
California State Prison-Madera.....	2,000	N/A	Schedule Pending
TOTAL.....	30,090		

Figure 4 - 2
Prison Population and Beds
(Data in Thousands)



NOTE: "Beds" represent the institutional design capacity of authorized and proposed institutions and camps.

Additional "overcrowding" bed space is provided through other means, such as:

- Addition of permanent beds in individual cells.
- Addition of temporary beds in gymnasiums, corridors, auditoriums, and dormitories.
- Addition, through a Parole Division managed program, of Return-to-Custody beds obtained by contracts with local governments and private vendors. These beds are funded in the support budget.

to protect society from criminal and delinquent behavior by young people and to provide training and treatment directed toward helping these youths become useful and productive citizens.

Youth Authority institutions are projected to house 9,116 wards by June 30, 1988. This is 546 more than estimated last year. By June 30, 1989, the institution population is estimated to be 9,682 wards, growing to 9,902 in 1991-92.

These increases are due primarily to two major factors—the Youthful Offender Parole Board is revoking paroles at an increasing rate and is imposing longer institution stays on wards. These actions will increase public safety by insuring that dangerous young people are housed in State institutions rather than being returned to the general population. However, this action has resulted in the overcrowding of available facilities. By June 30, 1989, Youth Authority institutions and camps will be at 152 percent of design capacity.

***"These increases are
due primarily to two
major factors—the
Youthful Offender
Parole Board is
revoking paroles at an
increasing rate and is
imposing longer
institution stays on
wards."***

To meet this challenge, the Governor's Budget proposes a total of \$385.7 million and 5,080 personnel years for operation of the Department, which consists of 10 institutions and 8 conservation camps. In addition, the Governor's Budget includes:

- \$1.1 million to equip three 100-bed projects (one each at the Preston School of Industry, El Paso de Robles School and Ventura School).
- \$3.7 million to enhance security at all institutions and to provide critical capacity-related support services and infrastructure improvements.

The Department's Population Management and Facilities Master Plan, published in November, 1986, outlines strategies for dealing with the increasing population via programmatic changes that could reduce population pressures. Despite these proposals, another new facility may be required. The programmatic changes and any additional construction projects will be addressed in future funding requests.

Local Detention

Local detention facilities are under pressure to handle the increasing number of criminals requiring incarceration. The County Jail Construction Financing Program in the Board of Corrections was started in 1980 to provide grants to counties for remodeling or construction of county jails. Since that time, three bond acts totaling over \$1 billion have been passed for this purpose. Approximately \$672 million will have been allocated to counties through the current fiscal year and \$174.2 million will be disbursed during 1988-89. Included in this amount is \$10.8 million for local juvenile halls which will be allocated by the Department of the Youth Authority.

These funds will enable counties to increase local jail capacities by more than 21,800 beds and replace over 6,600 unusable beds scheduled for closure.

Priority is given by the Administration to the training of local personnel to insure the safety and welfare of officers and inmates. The Governor's Budget provides \$12.8 million in assistance to counties for training of local correctional and probation personnel.

Department of Justice

The Department of Justice, through the constitutional office of the Attorney General, is responsible for ensuring the uniform interpretation and enforcement of laws and for representing the State in civil and criminal proceedings. As the chief law officer of the State, the Attorney General represents the people in all matters before the Appellate and Supreme Courts of California and the United States; represents the people on environmental issues, antitrust and civil rights laws; coordinates law enforcement efforts to address the statewide narcotic enforcement problem; pursues special efforts to prosecute organized criminal activity conducted in California; and performs other activities related to legal issues.

The Governor's Budget proposes \$236.6 million and 3,589 personnel

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the safety and welfare
of officers and
inmates."*

years to implement new programs, expand existing programs and meet workload increases.

The following is a description of the significant budget provisions proposed for the Department of Justice:

California Criminalistics Institute (CCI). An additional \$1 million and 8 personnel years are proposed to continue support of the California Criminalistics Institute which was established by Chapter 1040, Statutes of 1986. This Institute will enhance the State's forensic capabilities by providing training to locals, evaluating changing technology, providing quality assurance and developing new forensic methodologies. In addition, CCI will evaluate current technology and techniques used in Deoxyribonucleic Acid (DNA) typing and identify a forensic procedure for recommended use by all State and local government laboratories.

Nursing Home Patient Abuse Program. An additional \$1 million and 16 personnel years are proposed to continue support of the Nursing Home Patient Abuse Program, which was established by Chapter 637, Statutes of 1987. This program, which is within the Bureau of Medi-Cal Fraud, will review, investigate and prosecute complaints of abuse, neglect and discriminatory treatment of patients in health care facilities which receive Medi-Cal payments. The Bureau of Medi-Cal Fraud will collect data about crimes against patients in health care facilities, coordinate with local law enforcement agencies to ensure that such crimes are appropriately investigated and prosecuted, and provide training programs and materials to local law enforcement personnel on how to investigate and prosecute crimes against the elderly and dependent adults.

California Automated Identification System (CAL-ID). Sixth year funding of \$2.9 million is proposed for the continued procurement and implementation of the CAL-ID System. The system is an integrated plan which includes automation of the master name index file and the automated capability to

identify and match individuals by their fingerprints. An additional \$420,000 is also proposed for the communication lines and related equipment lease charges for connecting the CAL-ID/Remote Access Network terminals in each county or region with the Department of Justice's central site fingerprint identification data bases, thereby allowing for remote access.

Criminal Identification. A \$2.9 million and 83 personnel years augmentation is proposed for increased workload related to the submission of documents in the Criminal Offender and Non-criminal Record programs and for the study of methods to automate existing manual processes. The major components of the augmentation for the Bureau of Criminal Identification are:

- \$1.4 million and 45 personnel years to handle an increased workload in criminal fingerprint cards and disposition document submissions from law enforcement agencies, prosecutors and the courts.
- \$1 million and 33 personnel years to handle an increased workload in applicant fingerprint cards required for employment, licensing and certification.
- \$374,000 and 5 personnel years for a pilot project to automate document flow through the Automated Criminal History System.
- \$150,000 to conduct a feasibility study to ascertain appropriate technology for more responsive, accurate and cost efficient document storage and retrieval.

Additional Legal Staff. A total of 48 personnel years (29 attorneys and 19 legal analysts) are proposed to handle the increased workload in the Civil Law, Criminal Law and Public Rights Law programs.

This Administration is firmly committed to assuring the safety of the motoring public. This commitment is clearly demonstrated in the 1988-89 Budget for the California Highway Patrol (CHP), which proposes a funding level of \$553 million and

***"This Administration
is firmly committed to
assuring the safety of
the motoring public."***

***"Since 1982-83, the
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8,241 personnel years. Since 1982-83, the number of uniformed officers will have been increased by 720, including: (1) the addition of \$10.9 million for 150 new uniformed officers and 30 related support staff proposed for 1988-89, and (2) the addition of 150 uniformed officers in the current year pursuant to Chapter 1157, Statutes of 1987. These additional officers will provide an enhanced level of service by contributing to traffic congestion relief and increasing highway safety through greater law enforcement visibility and decreased response times. Safety will be further enhanced by the proposed addition of \$1.9 million and 36 personnel years to increase truck and bus inspections and to establish a program to certify public paratransit vehicles and drivers.

Due to the "emergency response" nature of the CHP's telecommunications system, rapid and reliable communications capabilities are essential requirements of the system. To maintain the system's effectiveness, the Governor's Budget proposes \$25.7 million and 13 personnel years for telecommunications equipment and services, which includes \$14.6 million for the final year of a three-year program to replace enforcement radio equipment, and \$9.1 million for additional equipment to bolster operational efficiency.

In addition, a total of \$5.7 million is proposed to replace three helicopters and one airplane. The newer aircraft will enable the CHP to provide more reliable and timely service for law enforcement and search and rescue operations.

Office of Criminal Justice Planning

The Office of Criminal Justice Planning (OCJP) provides statewide leadership to improve the criminal justice system in California through financial and technical assistance to local governments, State agencies and the private sector, and through education and training for California citizens. The Office funds programs in the areas of crime victims' services, crime prevention, juvenile justice, criminal prosecution, training

and special projects.

The Governor's proposed 1988-89 Budget for OCJP totals \$73.3 million and 99 personnel years with \$65.5 million for local assistance awards. The Governor's Budget includes \$17.1 million in funding from the federal Anti-Drug Abuse Act of 1986 for grants to improve apprehension, prosecution, adjudication and rehabilitation of drug offenders, as well as drug prevention and education-related activities. Combined State and federal funding for programs to reduce drug abuse totals \$24.1 million in OCJP's proposed budget.

The 1988-89 Budget proposes an increase of \$31,000 to expand quality referral services for runaway youth through the California Runaway Hotline. The Hotline serves as a free, non-threatening telephone referral service for runaways, directing them to services such as shelter, meals, clothing and counseling. The Hotline also provides a message center for communication between runaways and their families. These funds will be used to meet the increasing demand for emergency referral services for runaways and to provide coverage of the Hotline.

Natural Disaster and Emergency Response

The Public Safety function also includes natural disaster response and assistance programs. Because California's geographic, climate and population characteristics combine to make it susceptible to emergencies, the role of the Office of Emergency Services (OES) is especially critical for assuring public safety through coordination of financial assistance, staff and equipment resources from all levels of government.

The Governor's Budget proposes to increase OES's budget by \$2.5 million and 36 positions in 1988-89 to strengthen the State's natural disaster and emergency response capacity. The total proposed 1988-89 Budget is \$61.1 million and

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safety. . . ."***

224 personyears. Highlights of the 1988-89 Budget includes an increase of:

- \$1.1 million and 22 personnel years for the continued support of the Chemical Emergency Planning and Response Commission and its planning committee which were established under Title III of the Federal Superfund Amendments Reauthorization Act of 1986.
- \$171,000 and 3 personnel years to implement Chapter 1243, Statutes of 1987, which authorized the expansion of the Southern California Earthquake Preparedness Project (SCEPP) in San Diego and Imperial Counties.
- \$290,000 for the purchase of a heavy rescue fire truck and tool caches.
- \$372,000 and 3 personnel years to meet increased workload in the federally supported hazardous materials training program.

Judicial *

The Supreme Court and the Courts of Appeal were created by Article VI of the Constitution to exercise the judicial power of the State at the appellate level. In addition, the Article established the Judicial Council to oversee and administer the State's Judicial system.

The Judicial Branch is proposing a 1988-89 funding level of \$134.6 million and 999 personnel years. The proposed expenditures include:

- \$20 million for the Trial Court Improvement Fund to be disbursed by the Judicial Council in grants to improve court management and efficiency, case processing and speedy trials. Local trial courts may use these funds for equipment, personnel, education, demonstration projects, research, and programs and for facilities to improve trial court operations.

* The proposals included in this section are those submitted by the Judicial Branch and do not necessarily reflect the Governor's position on these issues.

-
- \$4.5 million and 48 positions to establish 11 new appellate court judgeships.
 - \$4.5 million for court-appointed counsel to represent indigents in cases heard by the Courts of Appeal.
 - \$1.2 million and 17 positions for

the Supreme Court to expedite the processing and disposition of their cases.

- \$1.1 million for the Family Court Services Program to provide training and demonstration projects in areas relating to family law.



Environmental Quality

The quality of the environment in which we live is of vital importance to every person who lives or works in California. We expect the air we breathe and the water we drink to be maintained in a healthful condition.

With the growth of the major industrial base within the United States over the past 60 years, many problems were created that were not readily apparent at either the early or later stages of this development. This is especially true of the impact of modern industrial processes and products on the environment and public health.

The challenges before the environmental quality programs today are many. They range from the very visible pollution problems, such as air pollution from manufacturing and automobiles, and raw sewage and industrial wastes being deposited in surface waters, to the less visible problems, such as the migration of chemicals into water supplies and the environment, and the long-term effects of low concentrations of toxic pollutants on public health.

Something as complex and as integral to our daily life as the quality of our environment cannot be completely isolated in one or two organizations. Today, numerous programs and activities of State government are actively addressing these problems.

Toxics and Environmental Health

Toxic chemicals have become a part of our daily life and are inevita-

“The quality of the environment in which we live is of vital importance to every person who lives or works in California.”

ble by-products of various industries. For example, the manufacturing of life-saving drugs produces zinc and other heavy metals. Pesticides protect crops, thereby providing less expensive food. In fact, many chemical substances which provide benefits to modern life can also enter the human and animal life chain and have a detrimental or potentially fatal effect. This area of concern includes not only the creation, storage and disposal of hazardous wastes but all aspects of chemical endangerment.

Of particular concern is the variety of ways that toxic substances can enter water supplies. In fact, water is one of the primary carriers of toxic contamination now threatening the public health and environment.

The 1988–89 Governor’s Budget proposes expenditures of \$317.2 million for various toxics programs statewide and a staffing level of 1,883 personnel years for these programs. This represents a 477 percent increase in funding and a 101 percent increase in staffing over the 1982–83 level.

Table 5-1 describes the activities and the existing and proposed funding levels of the various State departments concerned with toxics problems.

Environmental Program Highlights

Department of Health Services.

The Department of Health Services’ (DHS) budget again reflects a major increase in staff resources for the toxics programs. The 1988–89

Budget proposes \$139.6 million in total funding for the Toxic Substances Control Division (TSCD). A \$200 million bond bill will be proposed in order to continue the funding for site mitigation. Proceeds from this bond sale are projected at \$50 million in 1988–89, which would fund approximately \$8.7 million of the \$58.3 million total proposed for expenditure from bond sources in 1988–89. The remaining proceeds would be proposed for expenditure in future years.

Specific budget highlights include:

- \$964,000 and 10 personnel years to augment management and support services of the Division. This augmentation is necessary to provide management and clerical services to the large number of emergency and scientific personnel that have been added to the toxics program over the last three years.
- \$892,000 and 19 personnel years to augment the accounting staff and to provide resources to fully implement the responsible party cost recovery activity.
- \$751,000 and 10 personnel years to implement Chapter 1509, Statutes of 1986, which requires the State to adopt treatment standards for all hazardous waste by May 8, 1990, at which time land disposal of untreated hazardous waste will be banned.
- \$1.2 million and 13 personnel years to increase the technical expertise within the regional offices in the area of air monitoring and environmental fate analysis.
- \$223,000 and 4 personnel years to augment contracting staff. These resources will allow the Division to promote economical analysis of contractor rates and develop data that should allow the State to improve in negotiating reasonable rates for site mitigation activities.
- \$252,000 and 4 personnel years to implement various new statutes which require the Division, among other things, to establish a new Hazardous Waste Resources and Research Coordination Program,

*"Today, numerous
programs and
activities of State
government are
actively addressing . . .
(environmental)
problems."*

a more stringent design for land treatment units and regulations concerning international shipments of hazardous waste.

Also related to the Toxics Program but included in other parts of the Health Services' budget are the following increases:

- \$3 million and 27 personnel years to provide laboratory analyses and consultation for workload generated by past year increases to the TSCD program base.
- \$2 million and 13 personnel years in the Epidemiological Studies and Surveillance Section to conduct epidemiological studies and provide risk assessment reviews in support of recent growth in TSCD.

Department of Food and Agriculture. The Department of Food and Agriculture is responsible for registering and regulating chemicals—primarily pesticides—that are used in the State for the protection of the public. For 1988–89, the Governor's Budget proposes third-year funding in the amount of \$269,000 for implementation of the Pesticide Contamination Prevention Act (Chapter 1298, Statutes of 1985). The 1988–89 schedule of activities includes establishing a new set of soil and water monitoring requirements in areas where pesticides have been found or are likely to be found in ground water.

Office of Emergency Services. The Chemical Emergency Planning and Response Commission (CEPRC), under the auspices of the Office of Emergency Services, is responsible for implementing Title III of the Federal Superfund Amendments and Reauthorization Act of 1986. The federal act, signed into law on October 17, 1986, established a hazardous chemical reporting, emergency planning and community right-to-know program. The objective of the act is to identify and inventory the presence of hazardous substances and to plan for emergency situations involving those substances. Local districts must complete an emergency plan within two years, with annual review

from CEPRC. The 1988–89 Governor's Budget proposes to increase reimbursements by \$1.1 million and add 22 personnel years in order to implement the program.

California Highway Patrol. The California Highway Patrol provides protection to the public from the potential danger of unsafe transportation of hazardous substances. The Highway Patrol inspects vehicles and terminals involved in the transportation of hazardous materials and participates on local agency hazardous waste task forces. The 1988–89 Governor's Budget proposes an additional \$388,000 and 6 personnel years for the Hazardous Material Transportation program.

University of California. The 1988–89 Budget proposes \$433,000 for the University of California to continue its clean up of its toxic pits and dumps. The University also has many non-state funded research programs relating to toxics.

General Services and Higher Education. The Office of the State Architect oversees and recommends alternative methods of hazardous substance removal in State-owned facilities. This includes specific responsibilities for managing compliance with underground storage tanks law, replacement of PCB contaminated equipment, and abatement of asbestos which poses a health hazard to occupants and visitors of state facilities. The Governor's Budget proposes to maintain the same funding level for these programs as the current year. Specific proposals include the following:

- \$12.4 million is proposed for Asbestos Abatement. This funding level will continue the removal or containment of asbestos identified in surveys of State buildings as a high risk health hazard.
- \$8 million is proposed for PCB removal. The program consists of replacement of equipment as mandated by the Environmental Protection Agency based on its assessment of health and fire related risks and response to hazards identified in 1987–88.

***“Control of air
pollution, while
ensuring that growth
and needed
development may
occur, is the objective
of the Air Resources
Board”***

- \$14.5 million for Underground Storage Tanks. This program consists of detailed site investigations, cleanup and replacement of leaking tanks in sensitive ground water areas; removal and cleanup of waste oil and abandoned tanks; and installation of permanent monitoring systems on tanks in sensitive ground water areas.
- The California Community Colleges propose expenditures of \$15 million, of which \$5 million is for the removal and containment of hazardous substances. The California State University proposes \$10.6 million in 1988–89 to continue asbestos abatement efforts.

Air Resources Board. Air pollution impacts the health of California's citizens, impairs productivity, damages crops and forests and lessens our enjoyment of our surroundings. Control of air pollution, while ensuring that growth and needed development may occur, is the objective of the Air Resources Board (ARB).

The 1988–89 Budget proposes \$68.1 million in total funding for the Board. Various increases are proposed as follows:

- \$1.2 million and 12 personnel years to strengthen vehicular pollution control programs by developing the use of cleaner fuels and advanced technology, expanding consumer usage of emissions warranties, and demonstrating the feasibility of inspecting diesel trucks.
- \$462,000 and 6 personnel years to fully implement the Environmental Assistance program that was initiated in 1987–88. Local district program evaluation will also be expanded to include rural and small urban air management districts.
- \$872,000 and 4 personnel years to obtain information regarding exposure to indoor concentrations of air pollutants and the consequences of long-term pollution exposures on human health.
- \$372,000 and 6 personnel years to intensify the efforts to reduce

emissions from the use of solvents in paints, cleaning and other consumer products.

- \$2.4 million and 13 personnel years to expand the statewide monitoring effort for particulate matter in order to meet the new national standard. Ambient air monitoring will also be increased in the Kern County area in order to characterize the region's ozone problem. Wet acid deposition monitoring will be continued, along with the implementation of a newly developed dry deposition monitoring network.
- \$1.5 million and 24 personnel years to implement the Air Toxics "Hot Spots" Information and Assessment Act, Chapter 1252, Statutes of 1987, which requires the Board to inventory substances which present a threat to the public and to develop a program to eliminate unacceptable risks from catastrophic releases of toxic air pollutants.
- \$590,000 and 7 personnel years to conduct a comprehensive assessment of acid deposition research results.
- \$323,000 and 5 personnel years to coordinate toxics data management and develop an integrated toxics inventory system.

Water Resources Control Board. California faces serious challenges in water management, pollution control and water quality enhancement. The Board's broad objective is to achieve and maintain the highest possible quality of the waters in the State consistent with their use.

The 1988-89 Budget proposes \$355 million in total funding. Specific budget proposals include:

- \$10.7 million and 18 personnel years to provide local assistance contracts for oversight of the cleanup of leaking underground storage tanks and additional support of the underground storage tank permit program.
- \$310,000 and 3 personnel years to implement Chapter 1372, Statutes of 1987, which mandates a licensing program for individuals who

***"The (Water
Resources Control)
Board's broad
objective is to achieve
and maintain the
highest possible
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in the State consistent
with their use."***

perform integrity tests of underground storage tanks.

- \$2.7 million and 22 personnel years to implement water quality regulation provisions of the Federal Water Quality Act of 1987 in two program areas: (1) objectives development and permit revision and (2) nonpoint pollution source management.
- \$170.2 million in federal local assistance funds and 4 personnel years to provide loans to local communities for wastewater treatment construction. The Federal Water Quality Act of 1987 phases out grants for construction costs, but replaces them with loans for projects. In the past, the Environmental Protection Agency awarded the federal funds directly to local agencies; now, these funds will flow through the Board's budget.
- \$601,000 and 13 personnel years for administrative support staff to meet increased workload associated with program growth.
- \$725,000 and 7 personnel years to implement and maintain a health and safety program to protect employees who are exposed to toxic and hazardous environments in the course of their duties.

Waste Management Board. The 1988-89 Budget proposes \$5.5 million in total funding for the Waste Management Board.

The Waste Management Board is beginning the implementation of the Disposal Site Cleanup and Maintenance Program (Chapter 1319, Statutes of 1987). This program will eventually be self-supporting through annual fees from disposal site operators. The program will ensure that all facilities maintain closure and post-closure plans with adequate financial resources. It will also provide grants and loan guarantees designed to reduce the amount of hazardous waste disposed of at solid waste sites. For 1988-89, \$970,000 and 19 personnel years are proposed for this effort.

Local Marine Fisheries Mitigation Program. \$2.1 million in federal

offshore oil settlement funds are proposed in the Environmental Affairs Program for the first phase of an effort to mitigate past and current cumulative impacts from off-shore oil and gas development on the commercial fishing industry, especially in Southern California. The elements of this new program are the product of negotiations between members of the oil and commercial fishing industries.

The Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65)

In November, 1986, the voters passed Proposition 65. The two main objectives of this initiative are to increase public awareness of specific exposures to toxic chemicals and to eliminate discharges of specified toxic materials into drinking water. This initiative is being implemented in 1987-88 by eight individual departments and agencies with total budget authority of \$11.7 million. Because the programs are newly established in the current year, the 1988-89 Budget proposes to continue the current year funding levels for all departments. The Administration will review the current implementation plan in the spring for any potential workload or funding issues requiring adjustment.

**Table 5-1
Level of Effort Related to Toxics
(In Thousands)**

<i>Department/Program</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>
FOOD AND AGRICULTURE				
Certifies new pesticides; regulates pesticide labeling and use; monitors chemical pesticides use; tests for pesticide residues on fresh food products; identifies air and groundwater contamination attributable to pesticides; and identifies and requires implementation of procedures to mitigate any dangerous effects of pesticides. State and agriculture funds support approximately 276 county positions which are not displayed on this chart.				
General	\$14,623	\$17,603	\$19,904	\$20,446
Federal	520	393	502	513
Other	10,510	10,381	12,389	11,915
TOTAL	\$25,653	\$28,377	\$32,795	\$32,874
Personnel Years	242	269	325	325
HEALTH SERVICES				
Regulates hazardous chemicals from origin to disposal including the development of alternative technologies; develops and maintains a research capability and information repository regarding industrial chemicals and work induced diseases; and provides cleanup of toxic dumpsites, emergency response, victim compensation and emergency response equipment.				
General	-	\$14,400	\$5,700	-
Federal	\$13,808	36,906	15,121	\$27,125
Other	53,393	58,675	111,383	125,963
TOTAL	\$67,201	\$109,981	\$132,204	\$153,088
Personnel Years	272	569	754	888
WATER RESOURCES CONTROL BOARD/Including Regional Boards				
Regulates the disposal of chemicals to protect water quality including: permitting, monitoring and enforcement activities for hazardous waste facilities; pretreatment of potentially toxic industrial wastes; and inspecting, monitoring and supervising the clean-up of leaking underground tanks which store hazardous materials.				
General	\$10,495	\$13,398	\$14,768	\$15,900
Federal	1,114	1,119	1,137	7,604
Other	5,683	4,736	4,813	12,807
TOTAL	\$17,292	\$19,253	\$20,718	\$36,311
Personnel Years	221	209	230	278
WATER RESOURCES				
Includes studying the health aspects of Delta water supply; advising Regional Boards regarding water discharge; monitoring sediment containing asbestos which flows into the California Aqueduct; permitting the Department's underground storage tanks; monitoring and disposing of geothermal waste produces; and monitoring groundwater in the Delta.				
General	\$2,268	\$1,788	\$948	\$1,125
Other	1,231	1,896	3,847	3,023
TOTAL	\$3,499	\$3,684	\$4,795	\$4,148
Personnel Years	11	11	25	20
FISH AND GAME				
Monitors aquatic and marine life and wildlife for effects of hazardous chemicals, and is responsible for off-highway hazardous spills and some related enforcement activities.				
General	-	\$200	\$238	\$244
Other	\$942	1,056	1,143	1,172
TOTAL	\$942	\$1,256	\$1,381	\$1,416
Personnel Years	52	56	57	57
CAPITAL OUTLAY Including Higher Education				
Includes replacement/repair/disposal of leaking PCB equipment; survey, replacement and cleanup of leaking underground storage tanks; and asbestos abatement statewide as well as the UC Riverside Hazardous Waste Facility construction.				
TOTAL (Other)	\$6,423	\$17,700	\$14,938	-^a
Personnel Years	10	13	-	-
TRANSPORTATION				
Responds to spills on public highways; investigates and evaluates potential waste sites; and cleans up sites located on highway project rights-of-way.				
Federal	\$14,770	\$11,900	\$4,500	\$4,500
Other	2,365	18,160	13,537	8,860
TOTAL	\$17,135	\$30,060	\$18,037	\$13,360
Personnel Years	15	19	28	27

(continued)

^a For 1988-89, funding is proposed in the support appropriations of the affected agencies.

**Table 5-1—Continued
Level of Effort Related to Toxics
(In Thousands)**

<i>Department/Program</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>
HIGHWAY PATROL				
Regulates transportation of toxic and hazardous materials.				
TOTAL (Other)	\$1,836	\$1,394	\$2,301	\$2,838
Personnel Years	60	60	66	72
INDUSTRIAL RELATIONS				
Protects workers from hazardous chemicals, and monitors and regulates industrial carcinogens.				
General	\$3,100	\$3,300	\$2,396	\$2,464
Federal	2,100	2,260	—	—
TOTAL	\$5,200	\$5,560	\$2,396	\$2,464
Personnel Years	90	90	39	39
OFFICE OF EMERGENCY SERVICES				
Notifies State and local agencies of hazardous chemical emergencies.				
General	\$89	\$159	\$249	\$257
Other	67	153	75	75
TOTAL	\$156	\$312	\$324	\$332
Personnel Years	3	4	6	6
AIR RESOURCES BOARD				
Identifies and quantifies emissions of toxic air contaminants; develops and evaluates methods for reducing exposure to toxic air contaminants; and coordinates with local air pollution control districts to implement and enforce controls on sources of toxic emissions. Includes expenditures of the Environmental Affairs Agency.				
General	\$1,167	\$1,466	\$1,511	\$1,626
Other	3,803	5,388	5,714	6,069
TOTAL	\$4,970	\$6,854	\$7,225	\$7,695
Personnel Years	55	67	79	89
DEPARTMENT OF JUSTICE				
Litigates toxic waste cases to avoid further toxic pollution since the Department of Health Services (DHS) does not have the authority to litigate.				
TOTAL (Other)	\$804	\$1,116	\$1,620	\$1,692
Personnel Years	16	16	16	16
UNIVERSITY OF CALIFORNIA				
Conducts pure research into toxic wastes. The topics researched with General Fund dollars include health effects, prevention/control of toxic wastes, environmental dispersion and basic toxicology with an emphasis on agriculture, occupational health, and the State water supply. Also includes funds for cleanup of toxic pits and dumps.				
General	\$1,500	\$1,500	\$1,500	—
Other	—	—	2,183	\$433
TOTAL	\$1,500	\$1,500	\$3,683	\$433
COMMUNITY COLLEGES/STATE UNIVERSITIES				
Funds removal and containment of asbestos materials, PCB's and underground tanks and their contents.				
General	—	—	\$5,000	\$5,000
Other	—	—	—	20,600
TOTAL	—	—	\$5,000	\$25,600
GENERAL SERVICES				
Administers the Asbestos Abatement, PCB Equipment Replacement and Underground Storage Tank Removal programs.				
TOTAL (Other)	—	—	\$33,264	\$34,986
Personnel Years	—	—	19	23
BOARD OF EQUALIZATION				
Chapter 1506, Statutes of 1986, contained a one-time appropriation to fund 1986-87 work related to Hazardous Waste Control Account fee collections. Fee collection expenditures are normally funded by reimbursements from the Department of Health Services. Therefore, excluding this one-time appropriation, the expenditures for the Board are reflected in the Department of Health Services expenditure details.				
TOTAL (Other)	—	\$585	—	—
Personnel Years	33	39	41	43
TOTALS				
General	\$33,242	\$53,814	\$52,214	\$47,062
Federal	32,312	52,578	21,260	39,742
Other	87,057	121,240	207,207	230,433
TOTAL	\$152,611	\$227,632	\$280,681	\$317,237
Personnel Years	1,080	1,422	1,685	1,883



Business, Transportation and Housing

The Business, Transportation and Housing Agency's primary objectives are to strengthen California's business and housing climates and develop a safe and effective transportation system. To meet these goals, expenditures in the Governor's Budget for programs under the direction of the Agency total \$4.8 billion. (See Figure 6-1.)

Budget Highlights:

Transportation. Approximately \$3.5 billion is proposed to develop and maintain California's 15,200 miles of highway and mass transportation systems and to provide efficient vehicle registration services for the State's 24.6 million registered vehicles and 18.3 million licensed drivers. Additionally, the 1988-89 Governor's Budget contains the largest increase in personnel years dedicated to highway construction since 1964-65.

Public Safety. The 1988-89 Governor's Budget proposes approximately \$547 million to support the California Highway Patrol's law enforcement and nonuniformed personnel who are responsible for assuring the safety of the motoring public. (For further detail, refer to the Public Safety Section of this Summary—California Highway Patrol.)

Economic Development. The Governor's Budget proposes \$59.1 million for the Department of Commerce to continue its efforts to promote business development and job creation in California. This funding level includes \$10 million for the

Rural Economic Development Infrastructure Program, a component of the Governor's Rural Renaissance Initiative.

Business Regulation. The 1988-89 Budget proposes \$121.5 million and 1,964 personnel years for regulation of the financial services industry. The State's regulatory activities are designed to foster a sound financial and business climate and protect the public from economic loss and illegal or unethical business practices.

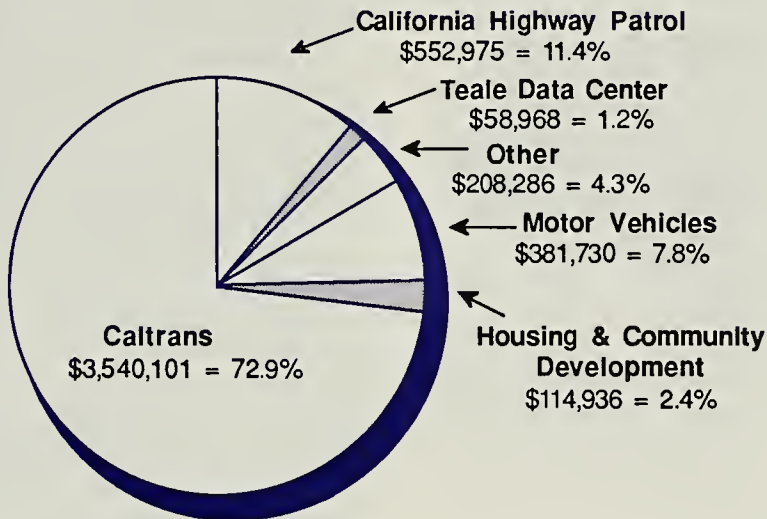
Department of Transportation

The California Department of Transportation (Caltrans) is recognized as one of the outstanding transportation organizations in the world. The Department constructs, operates and maintains a comprehensive transportation system of more than 15,200 miles of highways and freeways, as well as rail passenger services under contract with AMTRAK and Southern Pacific. Additionally, the Department provides technical assistance and development loans to the more than 200 public airports in California.

The 1988-89 Budget proposes total expenditures of \$3.5 billion in State and federal funds and reimbursements. Of this amount, \$1.8 billion and 16,645 personnel years are proposed for Caltrans' support and local assistance programs, and \$1.7 billion for highway construction projects. This includes funds for significant new efforts in the areas of transportation operations, highway research and development, ad-

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Figure 6 - 1
Business, Transportation and Housing
Proposed 1988-89 Expenditures
Amounts in Thousands
(All Funds)



vanced transportation planning, and passenger rail services.

- **The Governor's Transportation Initiative.** In May 1987, the Governor announced a three-part plan for improving transportation in California. The plan emphasizes the following actions:
 - New highway construction to be funded in part by \$2.3 billion in short-term bonds or notes.
 - Expanded traffic system management to improve vehicle flow and thereby save travel time, reduce fuel consumption and enhance California's urban air quality.
 - Local participation in solving congestion problems with 25 percent of the proposed transportation bonds made available for improvements to city and county thoroughfares, along with the option to levy local sales taxes upon a vote of the electorate.

The 1988-89 Budget proposes to implement this initiative through the addition of more than 1,150 personnel years, \$80 million in contract as-

***“. . . the 1988-89
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sistance and a variety of new and expanded efforts in both highway and rail transportation.

A Fast Track for Highway Construction. The proposed Governor's Budget provides more than \$1.7 billion from all sources to fund approximately 1,500 major highway construction projects contained in the 1988 State Transportation Improvement Program. Figure 6-2 illustrates the strong commitment which has been made by Caltrans over the past five years to design and construct new highway projects. When compared with 1982-83, the number of personnel years dedicated to highway construction in 1988-89 will be 3,376 greater, while the dollar value of contracts obligated for construction will more than triple.

Developing new highway projects is a complex task that often takes five years or more from start to finish. In order to expedite the process, Caltrans is spending more than \$70 million for computer automation projects that will both improve and accelerate project design. The expanded use of engineering contractors, equivalent to 973 personnel years during 1988-89, will also speed the Department's project development efforts. Caltrans' permanent highway development staff, augmented by 395 personnel years during 1987-88, is proposed to be increased by another 876 personnel years in 1988-89.

Caltrans' project development efforts will also be aided by two organizational changes scheduled for 1988-89: full implementation of the new District 12 Office in Orange County, and initiation of a Fast Track Highway Development Demonstration Program. This program will be specifically aimed at identifying, testing and evaluating procedural changes in project development which can reduce the time it takes to bring a project from conception to construction. Fast Track innovations which prove successful will eventually be incorporated into the development process for all projects.

Construction Highlights. One of the most notable construction

achievements of the last five years is the progress that has been made on the Century Freeway in Los Angeles, the most expensive single highway project in California's history. When this Administration took office, only two percent of the project's design had been completed and no construction contracts had begun. By October, 1987, 56 percent of the design work was finished and 49 of 90 project construction contracts were underway. The entire project, including construction of two of California's largest freeway-to-freeway interchanges, is expected to be completed by 1993.

Another major project is about to begin the construction phase in Orange County when the Santa Ana freeway will undergo a major widening beginning in 1988. More than 18 miles of freeway will be improved through 29 separate projects costing approximately \$1 billion. Completion of all projects is scheduled for 1993.

Other Caltrans' success stories are visible throughout California:

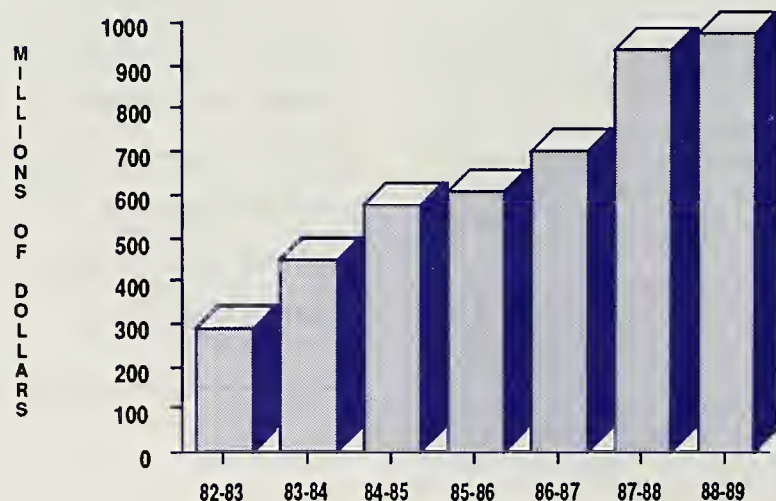
- A two-stage major storm damage reconstruction of Highway 70 through the Feather River Canyon in Butte and Plumas Counties was finished in July 1987. Emergency contracts were used for both stages. The contract for the first stage was executed only 12 working days after the storm occurred. This \$5 million project was completed one month ahead of a very tight schedule in July, 1986.
- An \$18 million widening of the Interstate 80 Causeway in Yolo County was completed six months ahead of schedule in August, 1986.
- A \$30 million widening of Interstate 80 through the City of Auburn was advertised for construction in late summer of 1987, after complex design work was completed to overcome serious challenges posed by both mountainous terrain and impinging development.
- In Los Angeles, an \$11.2 million project to modify and widen the interchange of the Santa Ana and

"One of the most notable construction achievements of the last five years is the progress that has been made on the Century Freeway in Los Angeles"

Long Beach freeways was completed in 1987. The project will improve freeway access and smooth traffic flow into downtown Los Angeles for commuters.

- A \$35 million phase of the Highway 580/238 Interchange in Alameda County is scheduled for completion in June, 1988. To avoid impacting traffic in the area, Caltrans took special steps to construct the new facility without requiring closure of any of the existing highways.
- A \$36 million interchange between Highways 101 and 380 was formally dedicated and opened in October, 1987. The project will reduce congestion on the Bayshore Freeway and improve access to San Francisco International Airport.
- The Santa Barbara Crosstown Freeway was advertised for construction in October, 1987. Despite the late discovery of potentially hazardous wastes from abandoned underground storage

**Figure 6 - 2
Construction Project Delivery**



tanks, Caltrans managed to advance the project schedule nearly a full year.

- In San Diego, an eight-mile reversible high-occupancy vehicle (HOV) lane project on Route 15 will be completed in the summer of 1988. During morning commute hours, both HOV lanes will carry traffic southbound into the city. During the afternoon commute, the lanes will carry traffic northward.

In addition to the major project accomplishments noted above, Caltrans devoted significant resources over the past two years to a management strategy aimed at garnering Federal Interstate Discretionary funds. The strategy proved to be stunningly successful, as Caltrans obtained \$312 million over and above its annual apportionments of federal highway aid. The major beneficiary of these funds will be the Harbor Freeway in Los Angeles, where portions will be widened and high occupancy vehicle lanes with a light rail transitway will be added. Other major freeway improvements which will be constructed with these funds will be the Norco Freeway in Riverside County and the John T. Knox Freeway in Contra Costa County.

Traffic System Management.

During the 1984 Olympics, a variety of innovative actions were taken in an effort to reduce traffic congestion in Los Angeles. Many of the actions were cooperative efforts between Caltrans, other public entities and private interests, such as the California trucking industry. The result of these efforts—a congestion-free Olympics—proved that new highway construction is not the only means for achieving smoother traffic flow.

Since 1984, Caltrans has steadily expanded its use of traffic system management (TSM). In 1988–89, Caltrans proposes to implement a major new effort in TSM, consistent with the Governor's Transportation Initiative. A total of 85 personnel years and a variety of specialized contracts are proposed at a total cost of \$13 million—a 71 percent in-

“The strategy proved to be stunningly successful, as Caltrans obtained \$312 million over and above its annual apportionments of federal highway aid.”

“Another innovative effort scheduled for 1988–89 is the Smart Corridor Demonstration Project.”

crease above Caltrans' 1987–88 budget for traffic operations. Some of the key activities proposed for funding are:

- Expanded traffic operations centers (TOCS) in Los Angeles, San Diego and San Francisco. TOCs use pavement-embedded sensors and closed circuit cameras to monitor traffic movement, adjust ramp meters, and detect and respond to incidents, all with the goal of optimizing traffic flow.
- Formation of 13 new incident response teams, in order to clear freeway accidents more rapidly. An estimated 270,000 hours of vehicle delay will be saved annually as a result of this action.
- Implementation of round-the-clock tow service patrols on four heavily-traveled approaches to the San Francisco-Oakland Bay Bridge. Based upon experience with patrols on the bridge itself, Caltrans expects to reduce the time it takes to clear an incident by 35 percent, saving the public the equivalent of as much as \$50 million annually in lost time.

Another innovative effort scheduled for 1988–89 is the Smart Corridor Demonstration Project. The project represents a joint effort by Caltrans, the Los Angeles County Transportation Commission, the California Highway Patrol and the City of Los Angeles. New electronic technologies will be used to operate multiple roadways in the Santa Monica Freeway corridor, thereby distributing vehicles evenly across all facilities and smoothing traffic flow. If successful, the approach will be adopted for use in other congested areas.

Caltrans' efforts in commute management will also benefit from a proposed augmentation of \$3.1 million—a 30 percent increase over the 1987–88 funding level. For the first time, Caltrans will sponsor the initiation of 20 Transportation Management Associations (TMAs). TMAs represent a new form of public-private partnership under which em-

players located in the same area jointly develop commute options for their employees. Ridesharing, vanpools, flexible working hours, off-peak truck deliveries, and free shuttles to transit stops are the strategies most commonly implemented by TMAs to deal with local commute congestion problems.

Research and New Technology.

Over the years, Caltrans has acquired a reputation for developing innovative highway design and maintenance features. Earthquake restrainers developed by the staff of Caltrans' Transportation Laboratory, combined with stronger bridge pier designs, enabled freeway spans to escape virtually unscathed in the 1987 Los Angeles earthquake. In 1969, by comparison, the similar San Fernando earthquake caused extensive damage to highway structures in Southern California.

Technical advancements such as the development of earthquake restrainers are made possible by the combined efforts of Caltrans' scientists and engineers, and those of the University of California and California State University, who work closely with the Department on a variety of contract research projects. In recognition of the benefits of this research, the 1988-89 Budget proposes an increase of \$1.7 million, or 33 percent.

Caltrans' Program of Advanced Technology for the Highway (PATH) represents an entirely new research opportunity made possible by rapid strides in vehicle electronics. In 1988-89, \$3.9 million is proposed for a greatly expanded effort in advanced highway technology. The project will develop, test and evaluate electronic vehicle guidance and navigation systems that may one day enable automated highways to transport twice as many vehicles per lane as current freeways.

While most advanced highway technologies are investments which will pay dividends in future years, other new technologies are planned for implementation in 1988-89. Inlaid thermoplastic striping on mountain

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highways will enable Caltrans to provide, for the first time, reflective lane markings that can withstand winter damage from tire chains, blowing sand and snow plows. Calcium magnesium acetate, a non-corrosive, environmentally benign substitute for road salt, is proposed for application throughout the Eastern Sierra highways of District 9. Improved microwave and telecommunications equipment will permit more efficient use of personnel and machines, as well as participation by Caltrans in CALCORD, a new emergency radio system established by the Office of Emergency Services.

Rail Services. The Department of Transportation contracts with AMTRAK and Southern Pacific to operate three passenger train services: the Peninsula Commute Service, which operates between San Jose and San Francisco; the San Joaquin, which operates between Oakland and Bakersfield, with bus connections to Los Angeles, Sacramento and other cities in the Central Valley; and the San Diegan, which operates seven trains daily between San Diego and Los Angeles, with an eighth train continuing on to Santa Barbara.

The Peninsula Commute Service, which carries over five million passengers annually, is the focus of a concerted effort to modernize rail passenger service on the San Francisco Peninsula. In the past five years more than \$150 million has been spent to upgrade the Peninsula Commute's tracks, stations, locomotives and rail cars. The 1988-89 Budget proposes to continue this effort at a budgeted level of \$41 million.

Beyond system upgrades, the Peninsula Commute Service will benefit from two new activities included in the 1988-89 Budget. The first is the evaluation of actions which need to be taken to transfer responsibility for operation of the Service to a new joint powers agency (JPA) to be formed by the local transit districts serving the Peninsula. Caltrans' contract with Southern Pacific for operation of the Service terminates

on June 30, 1990, and a transfer of responsibility to the JPA is anticipated at that time. The second major project is the purchase of the Peninsula Commute Service right-of-way. The Governor's Budget proposes State funding in the amount of \$10 million for this purpose, which, when accomplished, will permit significant efficiencies to be incorporated into the Peninsula Commute's operations.

In Southern California, the San Diego Rail Service has proven to be one of the most successful intercity rail routes in the United States. Since 1982-83, the farebox ratio (the ratio of revenues to operating costs) for the San Diegoan has risen from 59 percent to nearly 100 percent. In response to the demand for this service, Chapter 1313, Statutes of 1985, authorized the Los Angeles-San Diego Rail Corridor Study to identify measures needed to improve the San Diegoan. The recommendations of the study were released in June, 1987, and the 1988-89 Budget proposes to spend \$20 million to fund track improvements and the construction of two new stations. One-half of this cost will be funded by matching contributions from the federal and local governments.

Department of Motor Vehicles

The 1988-89 Budget proposes a funding level of \$381.7 million and 7,735 personnel years.

With 18.3 million licensed drivers and 24.6 million registered motor vehicles in the State, the Department of Motor Vehicles is responsible for providing service to a large segment of California's population. In the past few years, the Department has made great strides in improving service to the public, resulting in greater customer satisfaction and fewer complaints. The Department is continuing to increase operational efficiency and make improvements to enhance public service and safety. Implementation of the phone/mail appointment system provides easy and ready access to the department's services, enabling the

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public to avoid repeat visits to field offices, and to complete routine transactions by mail. The final phase of the vehicle registration and driver license automation project will occur in early 1988. This project will eliminate manual tasks such as stamping and handwriting on documents, coding and fee computation, thereby effectively shortening processing time. To reflect resultant efficiencies, the 1988-89 Budget proposes a reduction of \$4.8 million and 94 personnel years. In addition, the Department is proposing that automobile clubs be authorized to register members' vehicles, collect fees and issue license plates and stickers. This will improve convenience for the public, result in long-term savings for the Department and lead to a reduction of 31 personnel years in 1988-89.

The Governor's Budget also proposes a \$5.3 million increase and a 15 personnel-year reduction to continue the conversion of the Department's data base to the Teale Data Center. This conversion will improve the level of service by increasing the system's capacity and decreasing response time in handling over 271 million transactions annually.

In order to enhance the Department's ability to collect registration and license fees, the 1988-89 Budget proposes the addition of \$3 million and 28 personnel years to implement the first phase of a two-year program to enforce compliance with motor vehicle registration laws. The enforcement program has the potential of capturing over \$25 million of delinquent registration fees annually.

The Governor's Budget also proposes the addition of \$416,000 and 15 personnel years to increase the time available for driver license suspension hearings, thus allowing for a more thorough review of each case. It is expected that this will result in fewer suspension waivers and increased protection of the motoring public from unsafe drivers.

Foreign Trade

International trade is central to California's continuing economic

growth. One out of every 10 jobs in California is dependent on foreign trade and more than \$100 billion worth of goods passed through California ports in 1986. California is the world's sixth largest economy—an international gateway to the fast-growing nations that span the Pacific Rim. Eight of the State's top ten trading partners border the Pacific Ocean and together account for three-fourths of California's total trade.

In 1988–89, the State's international profile will be furthered by a variety of programs:

- The Department of Commerce, primarily through its Offices of Business Development, Tourism, and Small Business, acts as an advocate for California's tourism and trade-related businesses and is charged with the responsibility of attracting job-creating investment into the State.
- The California State World Trade Commission serves as the primary agency responsible for coordination of State activities to expand international trade. The 1988–89 Budget proposes \$2.2 million and 17 personnel years for the Commission, an 18.7 percent increase from the current year funding level. An increase in the Export Finance Fund in 1988–89 of \$1 million will bring the total funding for loan guarantees to \$4.7 million. This proposed augmentation will permit the Export Finance Program to guarantee an additional \$19 million in export loans. In its four-year history, the program has supported more than \$41 million in export sales and an estimated 1,000 jobs for California workers. The 1988–89 Budget also proposes \$146,000 to continue the International Visitors Office, which was administratively established this year. This Office coordinates meeting arrangements, research, and inquiries on behalf of the increasing numbers of foreign visitors to California who seek to establish commercial and cultural ties.
- For 1988–89, the Department of Commerce and the World Trade

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*“California is the
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economy . . . ”*

Commission will continue to assist minority and women-owned businesses in their efforts to gain entry into the international trade market. Funding in the amount of \$150,000 is proposed to develop and assist in the implementation of an action plan for a joint program to promote California minority and women-owned businesses in the international trading and investment community and to develop a strategy to make the program self-sufficient within three to five years.

- Working closely with the Department of Commerce and the World Trade Commission, the Governor's Office will continue to coordinate the programs and administration of California's Overseas Trade and Investment Offices in Tokyo and London. In addition, a new office will be established in Mexico City to strengthen the foreign trade relationship with our State's southern neighbor.
- The Governor's Budget proposes to expend \$5 million in matching grants to promote California agricultural products overseas. This grant program requires the grantee to provide a contribution equal to or greater than the amount of State funds received for a project, resulting in a total agricultural export grant program of \$10 million.

These efforts will continue California's leadership position among the states in terms of our commitment to, and understanding of, the competitive global marketplace.

Rural Renaissance

Initiated in 1986 and funded by previous appropriations totalling \$28 million, the Governor's Rural Renaissance Program will receive a \$10 million augmentation to bring the total program level to \$38 million, as originally proposed. The additional proposed funding will continue the Administration's commitment to make low-interest loans and grants available to rural communities so that they may make the necessary local capital improvements to realize new or additional busi-

ness activity, create new jobs and further strengthen California's economy.

Department Of Insurance

Through the ongoing efforts of the Department of Insurance and the augmentations proposed in the 1988-89 Budget, greater attention will be focused on improved services to the public and protection of senior citizens. The Governor's Budget proposes a total of \$33 million and 490 personnel years to continue the Department's enforcement of insurance laws, avert insolvencies in the industry, respond to consumer complaints, admit new qualified insurers into the State and enhance the Department's continuing effort to address Medi-gap abuse within the industry.

In addition, the Department will increase coverage of its toll free 800 telephone number and will conduct a greater number of rate and market conduct examinations to protect the public from excessive, unfair or discriminatory practices.

The proposed augmentation coupled with recent legislation that requires standardized supplemental insurance policies, establishment of a cancellation period for policyholders and required disclosure of supplemental insurance policy coverage will enable the Department to strengthen its oversight efforts of the insurance industry and will provide greater services to the citizens of this State.

White Collar Crime

The Business, Transportation and Housing Agency's White Collar Crime Task Force has continued its investigation of California's financial services industry. The types of unlawful conduct uncovered by the business regulatory departments represented on the Task Force (Insurance, Banking, Savings and Loan, Real Estate, and Corporations) range from licensing violations to misappropriation of millions of dollars. Since it was established in 1986, the Task Force has been instrumental in bringing approximately 40 major fraud actions, in-

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industry.”*

volving estimated losses to shareholders, creditors and investors in excess of \$100 million.

The Task Force has also successfully sponsored legislation to address the problem of white collar crime. During the 1987 legislative session, legislation was enacted to allow regulators from different segments of the industry to share investigative files. In addition, penalties for willful misconduct by financial insiders were increased significantly.

Further, as a result of a two-year study of fraudulent activity in the financial services industry, which included discussions with the affected industries and with county, State and federal officials responsible for the detection, investigation and prosecution of major frauds, the Task Force has recommended a comprehensive white collar crime initiative aimed at abuses in the financial services industry. As a first step in implementing this new program, the 1988-89 Budget provides funds to add investigative staff to the Departments of Banking and Savings and Loan.

California Film Commission

In the first half of 1987, California scored record gains in its competition for a greater share of U.S. feature film production. In the first six months of 1987, 96 feature films had been started in California, more than triple that of any other state. To continue this trend and further halt "run-away" production, the 1988-89 Budget proposes an increase of \$100,000 to provide additional support for the California Film Commission and to implement the Cooperative Motion Picture Marketing Plan pursuant to Chapter 1479, Statutes of 1987. This augmentation, in concert with the Commission's existing budget of \$616,000, will continue the State's efforts to stimulate filmmaking in California.

Department of Housing and Community Development

The Department of Housing and Community Development offers a

multitude of programs and services designed to help provide safe and affordable housing for all Californians. Special emphasis is placed on the needs of the homeless and disabled, low-income families, first-time homebuyers, seniors and farmworkers through programs to preserve the existing housing stock and construct new housing units.

The 1988–89 Budget proposes \$114.9 million and 559 personnel years for the Department’s programs and services.

The Budget provides \$10 million for the California Housing Trust Fund. Of this amount, \$6.5 million is proposed to rehabilitate and acquire emergency shelters, apartments and residential hotels for the homeless. The remaining \$3.5 million is proposed for low-interest loans to help owners and operators rehabilitate farmworker housing; grants and mortgage assistance to organizations that work with persons to rehabilitate or construct their own

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homes; low-interest, deferred payment loans to low-income homeowners and owners of apartments occupied by low-income renters to rehabilitate substandard units; and grants to organizations that help senior citizens find others with whom to share existing housing units.

The Governor’s Budget also proposes 10 personnel years necessary to continue administration of the \$14.5 million low-cost residential property rehabilitation loan programs. These were established by Chapters 2 and 4, Statutes of 1987, First Extraordinary Session, to aid victims of the October, 1987 Los Angeles-Whittier earthquake. This emergency assistance program will help many persons devastated by the earthquake secure financing to rebuild their homes. The rebuilding effort will contribute to the preservation of the existing housing inventory and help to maintain the integrity of neighborhoods in the earthquake area.



Health and Welfare

The Health and Welfare programs presented in the Governor's Budget are aimed at improving the quality of life for the millions of Californians needing assistance. Individual programs offer a range of services such as meals for the elderly, medical care, alcohol and drug prevention and unemployment benefits, and are directly concerned with the physical, mental and social well-being of Californians.

For 1988–89, Health and Welfare expenditures total \$24.1 billion in combined State and federal funds and account for 46,468 personnel years. The allocation of these funds is shown in Figure 7-1.

Proposed General Fund expenditures include over \$564 million in recognition of caseload increases in a variety of program areas, including AFDC, Mental Health, Developmentally Disabled and Child Welfare Services. (Refer to Table 7-1 for caseload totals.) Except for services provided through the State hospital system and the Employment Development Department, the primary contact for individuals served in the State's Health and Welfare programs are local agencies.

Department of Mental Health

Mental health problems are treatable, but if left untended, can result in significant losses to the individual and to society. The Department of Mental Health promotes access to appropriate mental health services for all California residents. Through

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disabled persons.”*

its State Hospital Services program, the Department provides specialized quality in-patient services which are not generally available in local communities. Through its Community Services program, the Department provides a network of treatment and supportive services in a local setting to enable mental health clients to live independently.

The Governor's Budget for 1988–89 proposes a total funding level of \$1 billion for the Department and continues to provide for programmatic improvements in the State hospital system. Such support, through the Governor's Mental Health Initiative, has enabled the Department to meet the major objective of full accreditation of all State hospitals. Accreditation is the hallmark of quality services and has returned California to the forefront in providing services to mentally disabled persons. The budget proposes more than \$370.5 million to support State hospitals, representing a 76.6 percent increase over Fiscal Year 1982–83. Also proposed is \$721.4 million for the Community Services program, representing a 74.2 percent increase over 1982–83. The community-based mental health system provides a full range of services needed at the local level, including support for skilled nursing facilities with special treatment programs, generally referred to as Institutions for Mental Disease.

The Governor's Mental Health Initiative proposes \$42.9 million in capital outlay projects (both major and minor) for State hospitals during 1988–89. This augmentation repre-

**Table 7-1
Major Health and Welfare Program Caseloads**

	<i>Average Caseload</i>		<i>Change</i>
	<i>1987-88</i>	<i>1988-89</i>	
1. California Children's Services (treatment of physical handicaps)	93,480 ^a	98,730 ^a	5,250
2. Medi-Cal (provisions of medical services to eligible poor)			
a. Certified eligible	3,094,500	3,147,400	52,900
b. Average monthly users (fee-for-service only)	1,408,460	1,451,810	43,350
3. AFDC (support for unemployed persons with minor children)	596,108	609,468	13,360
4. SSI/SSP (support for aged, blind and disabled)	741,000	771,000	30,000
5. State Hospitals			
a. Mental health clients	4,681 ^b	4,865 ^b	184
b. Developmentally disabled clients	6,687 ^b	6,937 ^b	250
6. Community Developmentally Disabled Services			
a. Regional centers	88,547 ^f	93,959 ^f	5,412
b. Work activity program	17,660	18,243	583
7. Vocational Rehabilitation	19,053	19,552	499
8. Employment Services (individuals placed)	285,000	285,000	-
9. Unemployment Services (total weeks claimed)	20,446,500	21,364,900	918,400
10. Meals for Elderly Citizens	278,000 ^c	278,000 ^c	-
11. In-Home Supportive Services	127,900	135,500	7,600
12. Child Welfare Services	105,000 ^e	115,400 ^e	10,400
13. Food Stamps	580,125	592,350	12,225
14. Alcohol Programs	191,000 ^d	191,000 ^d	-
15. Drug Programs	122,000 ^d	122,000 ^d	-
16. Community Mental Health	127,500 ^g	131,600 ^g	4,100

^a This figure represents the unduplicated number of children in the CCS Program.

^b Represents the year-end population upon which the budget is based.

^c Unduplicated participant count.

^d Number of participants served during the fiscal year.

^e Represents monthly Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement service area. Due to transfers between each service area a case may be reflected in more than one service area.

^f Represents the midyear average, including developmental center clients.

^g Represents an average monthly unduplicated caseload as reported in the client data system.

sents the fifth increment of a multi-year capital outlay plan to bring the State hospitals into compliance with fire and life safety requirements and provide environmental and security enhancements to better ensure the safety and well-being of hospital patients and staff. Opportunities for increased federal funding will also be gained. The hospitals affected and funding provided are:

Atascadero	\$12,847,000
Camarillo	8,056,000
Metropolitan	5,608,000
Napa	14,060,000
Patton	2,315,000
TOTAL	\$42,886,000

Proposed augmentations in the Governor's Budget reflect the following:

- Construction funds for five major fire and life safety and environmental improvement remodeling

projects in patient-occupied buildings at Atascadero, Camarillo, Metropolitan, Napa and Patton State Hospitals.

- Planning and/or working drawing funds for three major fire and life-safety and environmental improvement remodeling projects in patient buildings at Camarillo, Napa and Patton.
- Other critical major capital outlay fire and life safety or health and safety code-related projects at Atascadero, Metropolitan and Patton, plus minor improvements statewide.

Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs is the principal agency for the provision of alcohol and drug related programs. As such, it provides the leadership and coordination in the planning, development, implementation and evaluation of a comprehensive statewide alcohol and drug abuse prevention, intervention, detoxification, recovery and treatment services delivery system. The Department has the responsibility for licensing substance abuse programs such as multiple offender drinking driver programs, methadone programs and alcoholism programs serving over 300,000 persons each year.

The Governor's Budget proposes \$143.9 million and 178 personnel years for Fiscal Year 1988-89. Included are the following significant items:

- Second-year funding of \$17.3 million from the Federal Alcohol, Drug Abuse Treatment and Rehabilitation grant. These funds will be used for alcohol and drug abuse treatment and rehabilitation. Of these funds, \$5 million will be used for treatment programs for intravenous drug users to combat the spread of AIDS. The remainder of the funds will be utilized to continue current alcohol and drug treatment and rehabilitation programs.
- \$250,000 for the licensing and evaluation of a new 30-month lo-

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cal multiple offender drinking driver program. This program will be supported by fees collected from program participants. The 30-month program will supplement the current 12-month drinking driver program that enrolls over 28,000 participants each year.

- Second-year funding from the Drug Free Schools and Communities Act. Under the Drug Free Schools and Communities Act, California was awarded a \$4.7 million discretionary grant which is administered by the Department of Alcohol and Drug Programs. The purpose of the grant is to coordinate statewide educational and prevention activities. The second year funding will enable the continuance of such valuable programs as the "Learn to Say No" Media Campaign, the School /Community Primary Prevention Program, Friday Night Live and the Fetal Alcohol Syndrome Education and Media Campaign.

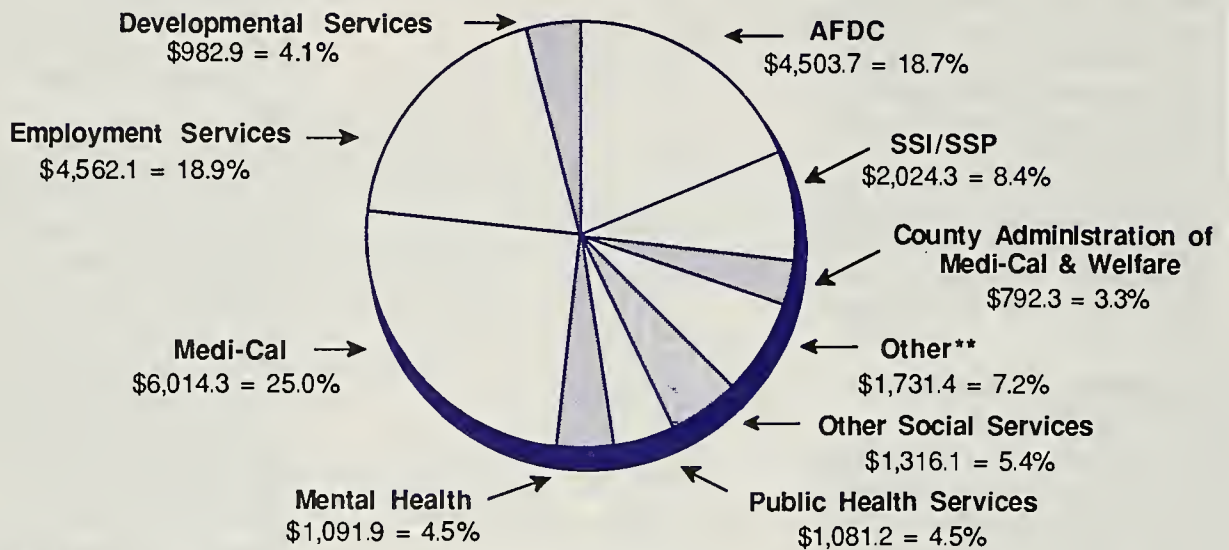
Department of Developmental Services

The Department of Developmental Services is responsible for coordination of services to persons with developmental disabilities. This includes ensuring that the services are planned and provided as part of a continuum of care to developmentally disabled persons at each stage of their lives, regardless of their age or degree of handicap, without dislocating persons from their home communities.

The Governor's Budget proposes a funding level of \$982.9 million and 11,155 personnel years for Fiscal Year 1988-89. Included are the following significant budget increases:

- \$21.5 million to fund expansion of the Alternative Residential Model (ARM) to approximately six additional regional centers, serving an additional 6,300 clients in community care facilities during Fiscal Year 1988-89, and to fund a five percent rate increase for non-ARM community care facility operators effective July 1, 1988.

Figure 7 - 1
Health and Welfare
Proposed 1988-89 Expenditures*
Amounts In Millions (All Funds)



*Includes State Support and Local Assistance.

**Reflects allocations for the Health and Welfare Agency, Department of Aging, Department of Alcohol and Drug Programs, Health and Welfare Consolidated Data Center, Office of Statewide Health Planning and Development, Department of Rehabilitation, Emergency Medical Services Authority, Governor's Advisory Committee on Child Care, State Council and Area Boards on Developmental Disabilities, State support for the Department of Health Services, including Toxic Substances Control Division, the Department of Social Services, GAIN and the Medically Indigent Adult program. Also included are the costs associated with

- \$25.7 million for a 5,412 client increase in the regional center population during 1988-89.
- \$7.8 million and 226 personnel years for a 250 client increase in the developmental centers' population, (96 in the beginning population and 154 client growth during 1988-89), and a change in the medical needs of the population. Historically, it has been found that as the more capable clients are placed from the developmental centers into the community, they are replaced with more severely handicapped clients, requiring a higher staff-to-client ratio. Therefore, the base staffing must be adjusted each year to address this trend. From the total, \$1.3 million and 38 personnel years are for this change.
- \$5.3 million and 156 personnel years to assist the developmental centers in meeting the level-of-care staffing standards. This includes \$1.9 million and 55 personnel years to maintain a six percent salary savings rate, and \$3.4 mil-

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lion and 101 personnel years to increase the coverage factor allowed for professional staff. Because developmental centers are operated 24 hours per day, it requires additional staff to cover for staff on sick leave, vacation, holidays, etc.

- \$1.5 million for deferred maintenance. The developmental centers have historically funded ongoing maintenance, such as painting, roof and road repairs and floor replacements, from its special repair budget. This has resulted in deferral of many maintenance projects in favor of critical special repair projects. The impact of delaying these maintenance activities results in increased maintenance costs in the future. These funds will assist the developmental centers in providing for the scheduled maintenance of roads, roofs and floors.
- \$5.4 million and six personnel years for the establishment of State and regional center systems to meet the requirements for

Medi-Cal reimbursement for the cost of case management for Medi-Cal eligible clients. This includes an increase of \$31.5 million in Medi-Cal reimbursements and a reduction of \$26.1 million in General Fund costs, thereby maximizing the use of federal funds.

Department of Aging

The Department of Aging is the principal agency for the provision of services to the elderly. As such, it provides a variety of services to nearly four million older Californians through the Area Agencies on Aging. The Department's primary emphasis is in the area of long-term care. Programs in this area assist the elderly to live independently and avoid premature institutionalization.

The Governor's Budget proposes a funding level of \$131.3 million and 153 personnel years for Fiscal Year 1988-89. The significant budget year changes include:

Long-Term Care Services. In a continuing effort to provide long-term-care services for the elderly, the Administration is proposing to continue the Multipurpose Senior Services Program (MSSP) and provide increased funding of \$507,000 to serve the 6,000 clients at the 22 MSSP sites throughout the State. In addition, the Department proposes to transfer the MSSP Management Information System (MIS) from the current contractor to the Department in an effort to reduce the annual operating costs of the MSSP MIS and to streamline the operations of the MSSP program.

Health Insurance Counseling and Advocacy Program. The Department is proposing to increase the Health Insurance Counseling and Advocacy Program (HICAP) by \$1.1 million and 2 personnel years. This represents a 72 percent increase over the 1987-88 funding level. The HICAP program was established by Chapter 1464, Statutes of 1984, in order to provide insurance information and counseling services to the elderly. This augmentation will expand services to all 58 counties and provide for a more comprehensive, state-

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wide health insurance education program for seniors which will assist them in making informed decisions regarding their insurance needs.

Golden State Senior Discount Program. In an effort to provide a more effective coordination and implementation of senior discount programs for the elderly, the Governor signed into law Chapter 516, Statutes of 1987. This legislation transferred the administration of the Golden State Senior Discount Program from the Department of Consumer Affairs to the California Department of Aging.

Department of Health Services

The Department of Health Services is responsible for a variety of programs which emphasize prevention-oriented health care, and delivery of medical services to the economically disadvantaged, protection of California's citizens from unsafe foods, drugs, drinking water and hazardous materials and enforcement of health standards in health facilities.

The 1988-89 Budget proposes \$7.9 billion for the Department (exclusive of the Toxics Substances Control Program which is budgeted at \$139.6 million). In 1982-83 the budget for the Department of Health Services totaled \$5.6 billion (3,849 personnel years) of which \$13.1 million (142 personnel years) was budgeted for the Toxics Substances Control Division. The proposed 1988-89 Budget represents a 41.1 percent increase over the 1982-83 level, exclusive of the toxics activities. (For further detail of changes in the toxics-related activities, refer to the Environmental Quality Section of this Summary.)

Licensing and Certification Program. The Department of Health Services' Licensing and Certification Program monitors the quality of care provided by 5,000 public and private facilities throughout the State. Licensing and Certification Program staff develop, implement and enforce health care standards and certify all long-term care facilities pursuant to established State

regulations and federal requirements. The Department issues corrective actions or other penalties to those health care facilities that violate laws or standards governing the administration of appropriate health care. The 1987 Budget Act appropriated \$25.7 million for the Licensing and Certification Program. The 1988-89 Budget proposes \$34.9 million for the Licensing and Certification Program which includes an augmentation of \$7.6 million to enhance licensing activities which will assist in accomplishing the following:

- \$4 million and 68 personnel years to implement the second-year of the Licensing and Certification Workload Study pursuant to the Legislature's request in the 1986 Budget Act to study and prepare necessary staffing adjustments for licensing activities. In total over 200 field positions will be added to the Licensing program over a three-year period.
- \$13,000 in 1987-88 and \$1.7 million and 21 personnel years in 1988-89 to implement Chapter 1225 and Chapter 1240, Statutes of 1987, which establish new enforcement provisions regarding the treatment of patients brought to hospital emergency rooms. The new laws authorize penalties for inappropriate patient transfer ("patient dumping") violations through a system of maximum fines to be levied against the violators.
- \$1.3 million to reimburse the Department of Justice for legal work performed by paralegal and attorney staff on disputed citations for the Department of Health Services' Licensing and Certification Division.
- \$323,000 and 9 personnel years to implement Chapter 1177, Statutes of 1987, which expands the Department of Health Services' responsibility in administering the Nurse Assistant Certification Program. The new law requires the collection and renewal of fees for nursing assistant certificates and establishes a system of inspection, training and disciplinary actions.

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Acquired Immune Deficiency Syndrome. Acquired Immune Deficiency Syndrome (AIDS) is one of the most serious public health threats faced by our society in recent history. There is still no vaccine or cure for this fatal, communicable disease.

Under this Administration, California has become a national leader in the battle to combat AIDS. California's commitment to AIDS funding exceeds that of any of the other nine states with major AIDS caseloads. Over the term of this Administration, \$189.6 million has been committed to solving this major health crisis.

Funding for AIDS programs statewide totals \$64.9 million in 1987-88 and \$70.2 million is proposed in 1988-89. This increase of \$5.3 million is the net result of \$20 million in augmentations in 1988-89 in the Department of Health Services and other agencies minus \$14.7 million in one-time funding in 1987-88. This increased level of funding will continue important projects, such as alternative test sites, and provide funding for other new and expanded AIDS activities. Some of the major components of the proposed AIDS budget include:

- An increase of \$1.2 million and 24 personnel years for the Department of Mental Health to create and staff a specialized AIDS unit at Napa State Hospital to house and treat mental health in-patients with AIDS or who test positive for the AIDS virus.
- An increase of \$2.7 million for increased utilization at the alternative test sites to reflect an increase in utilization from 11,000 tests per month to 13,000 tests per month.
- \$624,000 in additional funding and eight personnel years for staffing for an AIDS Medicaid Waiver Program to provide reimbursement for home and community-based services for individuals who would otherwise require higher-cost institutional care.
- An increase of \$1.4 million and ten

personnel years for AIDS special epidemiological studies in area-including intravenous drug and substance abusers, including their sexual partners and offspring; and surveillance of AIDS knowledge, attitudes, risk behavior, etc.

- An increase of \$2.1 million for increased confidential testing at community-based family planning, maternal and child health and primary care clinics.
- \$4.3 million in additional funding and six personnel years for increased education and prevention activities for health care personnel, intravenous drug users and the general population.
- An increase of \$721,000 to establish two shelters for the AIDS homeless in Southern California and San Francisco.
- \$4.8 million for the final phase of construction of the AIDS Multidisciplinary Molecular Virology and Immunology Research Center at San Francisco General Hospital.
- An increase of \$598,000 and seven personnel years for special laboratory studies of AIDS. This will provide for increased workload, will fund studies to develop profiles of tests that will predict disease occurrence or progression, and will provide a quality assurance program to test the proficiency of local public health laboratories.
- An additional \$1.2 million and 21 personnel years in 1987-88 and \$1.7 million and 41 personnel years in 1988-89 for the Department of Corrections for establishment of an AIDS unit at the California Institute for Men for both in-patient hospital care and out-patient segregated housing for inmates with AIDS.

California Tumor Registry.

Chapter 841, Statutes of 1985, requires the State to establish and maintain a statewide cancer reporting system. Pursuant to Chapter 841 and related statutes, California has a system for the collection and analysis of information on all cases of cancer occurring in the State. The

law provides for the establishment of regional registries throughout the State, each of which is responsible for collecting complete data on all cases from one or more counties which comprise the region. The Department of Health Services has initiated all regional registries which the law requires to be in place by July 1, 1988.

The Tumor Registry, California's Statewide Cancer Reporting System, is a population-based cancer reporting and surveillance system implemented through ten regional registries. The registries collect data which are used to determine statistically significant patterns or incidences of cancer and possible cause and effect relationships.

The 1987-88 budget for the Statewide Cancer Reporting System totals \$5.4 million. The 1988-89 Governor's Budget proposes a total of \$6.8 million and includes an augmentation of \$1.4 million for the cancer system. The proposed augmentation includes the following:

- \$1.1 million for the central tumor registry which will allow the central registry to handle a substantial increase in the volume of data produced by the regional registries.
- \$300,000 for full year support for the remaining four regions within the statewide system, bringing all ten regional registries to full year funding levels.

California Birth Defects Monitoring Program. The California Birth Defects Monitoring Program (CBDMP), established by Chapter 204, Statutes of 1982, was created in recognition of birth defects as an important pediatric problem, and in response to acute community concern about environmental hazards. The program collects and analyzes data on the incidence of birth defects in an attempt to find causes. The program has four components: compilation of a birth defects registry, investigation of excessive numbers of birth defects, performances of special pediatric studies and service to the community. Since the CBDMP produces current birth defects data

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specific to Californians, it is a unique source for policymakers and health service planners. To date, the program has the largest population-based birth defects registry of its kind in the world.

The 1987 Budget Act appropriates \$3.3 million for the CBDMP which currently covers 37 counties in California. The 1988–89 Governor's Budget proposes a total of \$4.7 million for the program. This amount includes an augmentation of \$1.4 million to expand the program into an additional 20 counties as specified in Chapter 1197, Statutes of 1987. This augmentation will allow data collection to begin within the 20 counties effective October, 1988. Children born on or after January 1, 1988 whose parents are residents in any of the 20 additional counties will be included in the CBDMP registry.

Medi-Cal. The Medi-Cal program provides reimbursements for medical services to persons receiving cash grants through County Welfare Departments, and other eligible low income individuals. The proposed budget for 1988–89 includes \$6.2 billion to serve an average monthly caseload of 3.1 million. This budget represents an increase of \$2.2 billion or 55 percent over the 1983–84 level for this program.

The Medi-Cal program is expected to grow 7.4 percent or \$427.9 million over the 1987–88 expenditure level. Since 1983–84, Medi-Cal expenditures, on the average, have grown at a rate faster than the average growth rate of the State's General Fund revenues. The primary components of this growth are: the rate at which beneficiaries utilize Medi-Cal services; the increase in the number of beneficiaries; and the increased cost of services provided by the Medi-Cal program.

The Governor's Budget continues to reflect the Medi-Cal program restructuring initiative proposed by the Administration in 1986–87. Specific proposals include: (1) increasing collections in cases where eligibles are covered by other health insurance; (2) revising the administrative process for determining reimbursement rates for certain drugs; (3) re-

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ducing laboratory rates by 15 percent; (4) expanding hospital contracting to other areas not presently covered; (5) increasing co-payment requirements; (6) reducing the maintenance need level standard used to determine eligibility for individuals not qualifying through cash grant programs; (7) initiating a program designed to reduce the utilization of drugs; and (8) increasing the number of eligibles served by county operated health systems and primary care case management systems. Medi-Cal program restructuring is estimated to save a total of \$46.7 million (\$23.3 million General Fund) in 1988–89.

In addition, the Governor's Budget assumes that the court case implementing provider rate reductions will be settled in favor of the State. Under authority of the Welfare and Institutions Code, the Director of Health Services ordered a ten percent provider rate reduction for most services between February 1 and June 30, 1987 due to the substantial deficiency in the Medi-Cal budget. Exceptions to this reduction are rates for obstetrical care, long-term care, hospital in-patient services and prepaid health plans. Due to court action, the savings have not yet been collected. The budget assumes that collections will be made during 1988–89 for a total savings of \$62.3 million.

In order to better monitor increasing utilization, the Department of Health Services will begin implementation of a claims payment review mechanism in 1988–89. Under this revised administrative procedure, a beneficiary is limited to six visits to a physician during a 90-day period. Additional services will be reimbursed if medical necessity is demonstrated or for emergency procedures. The total estimated savings resulting from this change is \$9.2 million in 1988–89.

Concurrently, the Governor's Budget proposes to redirect \$6.3 million of this savings (\$9.2 million annually) to provide rate increases for selected services such as primary care, preventive and prenatal ser-

vices. These adjustments include a 16 percent rate increase for maternity care services provided by physicians and an 11.8 percent increase for services provided by clinics. In addition, a \$150 rate differential will be added in those cases where nine or more office visits are provided beginning in the first trimester of pregnancy. Other adjustments include a ten percent increase in rates for well child examinations, children's comprehensive office visits and in-home health care agency rates; and a 50 percent increase in the transportation component of the portable x-ray reimbursement rate. These rate increases should assure sufficient provider participation in the program, especially in the areas of maternity care and children's services.

The 1987 Budget Act contains \$25 million for expenditure during a three-year period for rate increases for hospitals serving an above average number of low income patients. The Governor's Budget reflects expenditures of \$2.9 million in 1987-88 and \$3.5 million in 1988-89 from this appropriation. The total of \$6.4 million represents the first-year cost of rate increases made to date. These adjustments are in addition to other rate changes granted to reflect normal cost increases. It is anticipated that additional amounts will be committed from this appropriation by the California Medical Assistance Commission during both 1987-88 and 1988-89, and that the full \$25 million appropriation will be expended by the end of the 1989-90 Fiscal Year.

Los Angeles County Audit Settlement. The revised expenditure estimate for 1987-88 includes a \$20 million set-aside to fund the settlement of outstanding audit issues between the Department of Health Services and the County of Los Angeles. The Administration will seek legislation upon completion of successful discussions with the County regarding programs administered by the County and which have significant fiscal implications to the State.

County Health Services Cost-of-Living Adjustment. The Gover-

"The Department of Social Services is responsible for providing protection, care and other assistance to needy and eligible persons of this State."

"The 1988-89 Budget continues the Administration's commitment to fully fund Child Welfare Services. . . ."

nor's Budget includes \$24.3 million for increased costs associated with the statutory COLA for the County Health Services (AB 8) program. This represents a 5.7 percent increase.

Social Services

The Department of Social Services is responsible for providing protection, care and other assistance to needy and eligible persons of this State. These services are provided through the Department's Welfare, Social Services, Community Care Licensing, Disability Evaluation and Employment Services programs.

The proposed budget for 1988-89 is \$8.8 billion and 3,553 personnel years. This represents a \$786.5 million, or 9.8 percent, increase from the revised 1987-88 funding level.

Significant changes in the budget include:

Child Welfare Services. The purpose of the Child Welfare Services program is to provide emergency, maintenance and placement services to abused and neglected children and their families. The 1988-89 Budget continues the Administration's commitment to fully fund Child Welfare Services by including an additional \$33.1 million General Fund.

The Child Welfare Service Training program, which was authorized by Chapter 1310, Statutes of 1987, will further assist child welfare services workers in protecting children from abuse and prevent innocent persons from being falsely charged with child abuse or endangerment.

In-Home Supportive Services. The Administration has made a commitment to assist seniors to remain in their own homes and avoid premature institutionalization. As such, the 1988-89 Budget provides approximately \$273.7 million General Fund to the In-Home Supportive Services program which provides specified supportive services to eligible persons to allow them to remain in their own homes. This represents an increase of \$103.5 million, or 60.8 percent over the 1987-88 level. Included in this in-

crease is \$63 million General Fund to fund the increased cost for individual providers of in-home supportive services resulting from the increase in the minimum wage to \$4.25 per hour.

Adoptions Program. The Adoptions Program within the Department of Social Services provides services to parents who wish to place their children for adoption and to persons who wish to adopt children. These services are provided through the intercounty, relinquishment and independent programs.

The 1988-89 Budget provides approximately \$25.5 million General Fund to fund State and county Adoptions Program activities. This represents a \$4.7 million increase over the 1987-88 level which will be used to fund additional State and county Adoptions staff for the purpose of expediting adoptions processing activities.

Homeless. The Budget includes \$17.4 million General Fund to provide special needs payments to homeless families pursuant to Chapter 1353, Statutes of 1987. This measure authorizes a nonrecurring special needs allowance of \$30 per day to assist families in securing temporary housing and provides special payments to assist families in meeting permanent housing costs, such as last month rent and security deposits.

Child Support Enforcement Program. The Child Support Enforcement Program within the Department of Social Services is a revenue producing program which locates

absent parents, establishes paternity and obtains and enforces court ordered child support payments. The program is administered at the local level by district attorneys.

Child support services are available to both welfare and non-welfare recipients. Payments collected on behalf of AFDC recipients are used to offset State, county and federal welfare costs. In an effort to increase awareness and enhance child support enforcement efforts, the Governor signed into law Chapter 1086, Statutes of 1987. This measure expands distribution of a Child Support Information booklet to all Superior Courts in the State. In addition, the Governor's Budget provides increased funding to expand California Parent Locator Services in an effort to locate a greater number of absent nonsupporting parents.

Cost-of-Living Adjustments. The Governor's Budget proposes a \$248 million General Fund increase to fund a 5.2 percent statutory cost-of-living adjustment (COLA) for the Aid-to-Families with Dependent Children (\$106.7 million), Supplemental Security Income/State Supplementary Program (\$140.4 million) and In-Home Supportive Services program (\$0.9 million).

Greater Avenues for Independence Program

The Greater Avenues for Independence (GAIN) program, which was authorized in 1985, is intended to reduce welfare dependency for a significant portion of single parents and their children. This is being accomplished by providing Aid to Families with Dependent Children (AFDC) recipients with a mandatory program that will offer them a broad range of employment and supportive services as a means of achieving self-sufficiency.

The 1988-89 Governor's Budget markedly increases the commitment of General Fund dollars to this program by proposing an increase of \$138.7 million. It recognizes that the most recent available data concerning participant characteristics, service needs and actual operating county experience, suggests that

***"The Administration
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commitment to assist
seniors to remain in
their own homes and
avoid premature
institutionalization."***

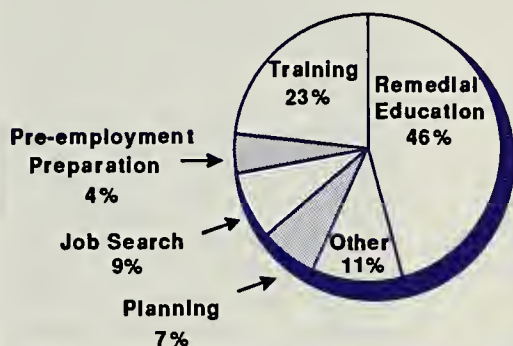
***"The Governor's
Budget
proposes . . . a 5.2
percent cost-of-living
adjustment"***

**Table 7-2
GAIN PROGRAM
FUNDING SOURCES
(\$ In Millions)**

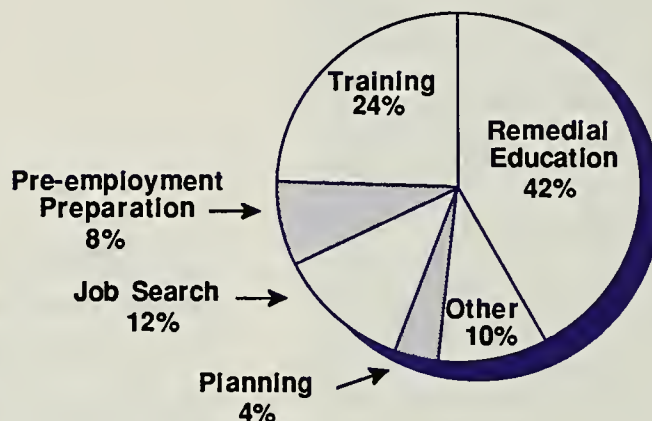
	<i>1987-88 Budget Act</i>	<i>1988-89 Proposed</i>	<i>Change From 1987-88</i>	
			<i>Amount</i>	<i>Percent</i>
Total Funds.....	\$209.4	\$407.8	\$198.4	94.7
Funding Sources				
General Fund.....	106.1	244.8	138.7	130.7
Federal Funds.....	42.6	70.7	28.1	66.0
Other Resources.	60.7	92.3	31.6	52.1

Figure 7 - 2
Greater Avenues for Independence (GAIN)
Cost by Component
(All Funds)

Budget Act (1987-88)
(\$209.4 million)



Governor's Budget (1988-89)
(\$407.8 million)



prudent changes in the implementation of the program are necessary in order to realize the most effective statewide implementation of the program. Currently, 22 counties are operating the GAIN program and all counties are expected to be operational by September, 1988.

The level of funding included for 1988-89 will cause services to be targeted to AFDC recipients who would be expected to receive greater benefit from employment services because they are more likely to remain on aid for a longer period of time. This is consistent with the current statute (Chapter 1025, Statutes of 1985) which specifies the order of priority for serving AFDC recipients within available resources. In addition, the proposed budget recognizes that welfare reform legislation pending in the Congress may provide a potential source of enhanced funding which may impact the level of the State's participation in the program. The Governor's Budget continues the Administration's commitment to bear the cost of implementing the

***"The Greater Avenues
for Independence
(GAIN) program . . .
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portion of single
parents and their
children."***

program with State and federal funds.

The Governor's Budget continues to target existing program resources to help meet the overall resource requirements for the GAIN program. In 1988-89, it is expected that more than \$90 million will be available for serving GAIN participants from various funding sources including K-12 Adult Education, Community Colleges, the Job Training Partnership Act, the Employment Training Panel and the Career Opportunities Development program. These resources, together with a 131 percent increase in General Fund and increased federal funding, will provide for the participation of all counties in the program next year. Of the \$408 million proposed for the GAIN program, the Governor's Budget again sets aside \$44 million to fund GAIN services in agencies where there is a demonstration that additional resources are necessary. Funding for the GAIN program is displayed in Table 7-2 and Figure 7-2.

California's Implementation of the Immigration Reform and Control Act of 1986

The Immigration Reform and Control Act of 1986 (IRCA) allows certain aliens illegally residing in the United States to apply for legal residency status if they can otherwise qualify as legal residents under Immigration and Naturalization Service (INS) guidelines. Those aliens who have been continuously in the United States since January 1, 1982 or have been engaged in specific types of agricultural work for at least 90 working days prior to May 1, 1986 are eligible for legalization (amnesty) under the Act.

Approximately 1.7 million aliens in California are potentially eligible to take advantage of the legalization program. However, it is estimated that fewer than a million persons will come forward to apply for amnesty, with only 900,000 persons granted temporary legal status under the Act. More than 55 percent of the nation's alien applicants for legalization reside in California.

IRCA prohibits applicant aliens from receiving benefits, with some minor exceptions, from the following federal social services programs: AFDC benefits, food stamps, non-emergency care under Medi-Cal, and unemployment insurance benefits based on credits earned prior to legalization.

IRCA attempts to control future illegal immigration through new procedures for employing people, and establishes employer sanctions for illegal hiring practices and improper hiring documentation.

IRCA provides funds (State Legalization Impact Assistance Grant funds—SLIAG) to assist states and local governments with costs they may incur in providing public health, public assistance or educational services to eligible legalized aliens. The amount available to states over the four-year allocation period will be \$3.04 billion, after deducting the estimated federal offset from the annual \$1 billion in SLIAG appropriations. With the weighting given to the

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Immigration and
Naturalization Service
(INS) guidelines.”***

three components of the SLIAG allocation formula (population, impact, cost), California will receive approximately 57 percent of the dollars available to states. California's share is estimated to be \$1.735 billion over the four federal fiscal years of SLIAG funding.

Implementation Planning Process. The Health and Welfare Agency, designated by the Governor as the lead agency for IRCA implementation, established a broad-based working advisory group to identify IRCA implementation issues and provide advice on California's state plan to obtain its share of SLIAG funds. Representatives from welfare and immigrant rights organizations, organizations assisting aliens through the legalization process, local government, State agencies impacted by IRCA and legislative staff from various committees participated in the working advisory group process.

Based on discussions of the working advisory group, the Health and Welfare Agency developed several general principles for the foundation of the State plan for using SLIAG funds.

- Federal and State agencies should interpret IRCA statutes and regulations in such a way as to maximize the number of potentially eligible aliens who may avail themselves of the legalization process.
- The State will minimize the number and type of new bureaucratic structures needed to implement IRCA by relying heavily upon existing public and private program delivery systems in serving applicant aliens.
- The State will fund the critical services needed by eligible legalized aliens for four and three-quarters years (through June 30, 1992). This will provide State and local programs adequate time to determine how to continue serving eligible legalized aliens after SLIAG funds are no longer available.

The Health and Welfare Agency integrated the general principles, several significant policy decisions, and

the departmental budget proposals into a proposed IRCA implementation plan. See Table 7-3.

Key elements of California's proposed IRCA implementation plan are highlighted as follows:

- The plan spends a total of \$1.735 billion of SLIAG funds in California over the next four and three-quarters years. This funding is for State and local public health, public assistance and education programs serving an estimated 900,000 eligible legalized aliens. These aliens comprise about 3.4 percent of California's total population.
- The plan covers public health services from July 1, 1987. The effective date for providing public assistance services and education services was October 1, 1987.
- Each program providing public assistance or education services to eligible legalized aliens must specifically identify each alien before claiming SLIAG funds for allowable services to that individual.
- The plan will fund services (including indigent health care and general assistance) provided by local governments based on the number of eligible legalized aliens in each county who are potential users of these services.
- The plan assumes that the construction of federal regulations will allow the State, in operating and implementing an IRCA program, to carry forward unexpended funds from one year to the next without fiscal penalties in subsequent years.
- All estimates of service costs are for full cost of services to eligible legalized aliens, discounting available federal expenditures as required under IRCA. Because of the great amount of uncertainty as to what extent eligible legalized aliens are currently using public health, public assistance and education services, no distinction has been made between new funding requirements versus the current level of State funding for these services.

***“California’s . . . plan
spends a total of
\$1.735 billion . . . in
California over the
next four and
three-quarters years.”***

- Should insufficient federal funds be available to cover the projected program costs under this plan, any of the following options could control program expenditures: (1) discontinue funding less than high priority programs, or (2) shorten the time period for funding all programs, or (3) reduce program funding across the board, or (4) disqualify eligible legalized aliens from specific programs of public assistance.
- Records of services provided to individual eligible legalized aliens will be kept at the local level except for those programs that use central fiscal intermediary functions to process claims (e.g., Medi-Cal, County Medical Services Program, etc.). Individual programs will provide their managing State departments with summary data on a quarterly basis. These departments and the Health and Welfare Agency will be able to track the provision of services and the cost of services to eligible legalized aliens.
- Financial liability for inappropriate expenditure or non-use of SLIAG funds will be that of the individual program providing service. The same principle will apply to providers of educational services, providers of public assistance services, and providers of public health services, be they public or private.
To enforce this liability, the plan proposes to use existing program mechanisms where they clearly state that providers of service are liable for inappropriate expenditure or non-use of funds. Where no such clear program guidelines exist, the managing State departments will enter into agreements with counties, local school districts, qualified designated entities, etc., clearly defining financial liability for inappropriate expenditure or non-use of SLIAG funds as a condition of receiving funds.
- The State Department of Education, in accordance with federal law and regulations, will be responsible for distributing SLIAG funds to community colleges, lo-

cal school districts, and community-based organizations—including qualified designated entities—in accordance with the IRCA education services delivery plan.

- The plan assumes that the three-year limitation in Emergency Immigrant Education will be applied for K–12 educational services, and has recognized this limitation in calculating the amount of dollars available for K–12 supplemental services.

The plan gives the State Department of Education flexibility to target funds to districts that are highly impacted by the number of eligible legalized alien children that they serve. This strategy provides the Superintendent of Public Instruction and local school districts with an opportunity to recognize and deal with high areas of impact during the initial years of program implementation.

- The State Department of Education postulates that a score of 215 on the Comprehensive Adult Student Assessment System (CASAS) examination by an eligible, legalized alien demonstrates sufficient proficiency in English for conversion to permanent residency status. The plan has taken this assumption as correct. However, the Immigration and Naturalization Service has not officially adopted this; consequently, the plan does not restrict the use of funds only to that population which is at or below the CASAS 215 level.
- Should persons at or above the CASAS 215 level wish to avail themselves of ESL services, the State Department of Education and the Chancellor of the Community Colleges have the flexibility to provide these services. However, services should first be targeted to those individuals at or below the CASAS 215 level and then secondly to those individuals above this level should funds be available.
- IRCA requires that states devote at least ten percent of their SLIAG

“California provides a wide range of publicly funded, long-term care services.”

allocations to each of the categories of public health, public assistance and education services, unless there are insufficient costs in any of these categories to warrant a granting of the full ten percent. In these cases, states are required to distribute the unused funds between the other categories of service.

Because funding requests for public health services in California will not, for the four and three-quarters years of the plan, exceed ten percent of the funds available under SLIAG, the plan proposes providing funding for a broad range of public health services above a core level due to the limitations imposed by IRCA's ten percent funding rule.

- Under IRCA, states do have an option to disqualify eligible legalized aliens from programs of state and local assistance should they choose to do so. The plan does not take into account that there would be any disqualification of eligible legalized aliens for public assistance programs, specifically the State AFDC program or local general assistance program. It assumes however, that SB 175 (Maddy) restrictions on Medi-Cal benefits will come into effect in early 1988.
- General assistance services will be the responsibility of the counties in which each individual alien resides. The State Department of Social Services will be the State agency which allocates funds to the counties for this purpose. Counties will claim general assistance funds for eligible legalized aliens through a system similar to that under which they now claim general assistance funds for refugees. Each county, however, will only be allowed to retain funds for those services actually provided to eligible legalized aliens.

Long-Term Care

California provides a wide range of publicly funded, long-term care services. Welfare and Institutions Code Section 9390.1 defines “long-term care” as “. . . a coordinated con-

TABLE 7-3
IRCA IMPLEMENTATION EXPENDITURE PLAN
LOCAL ASSISTANCE AND SUPPORT COSTS (\$ millions)

	1987-88	1988-89	1989-90	1990-91	1991-92	Total
Public Health						
1. TB/Leprosy Control	\$14.8	\$8.1	\$1.5	\$1.1	\$0.6	\$26.1
2. Sexually Transmitted Diseases	5.4	1.7	-	-	-	7.1
3. Laboratory Support	0.5	0.3	-	-	-	0.8
4. California Children's Services	1.1	1.7	1.7	1.7	1.7	7.9
5. Immunizations	1.6	0.5	0.1	0.1	0.1	2.4
6. Perinatal Services	2.3	2.3	2.3	2.3	2.3	11.5
7. Family Planning	1.9	3.2	3.2	3.2	3.2	14.7
8. Child Health and Disability Prevention ..	0.7	-	-	-	-	0.7
9. Adolescent Family Life Program	0.5	0.5	0.5	0.5	0.5	2.5
10. IRCA Subvention	8.5	3.5	1.2	0.6	0.3	14.1
11. IRCA Central Administrative Unit	0.3	0.3	0.3	0.3	0.3	1.5
12. IRCA Administration Distributed to Pro- grams	(1.5)	(1.7)	(0.8)	(0.8)	(0.7)	(5.5)
13. Public Health Admin. Overhead	1.1	0.7	0.3	0.3	0.3	2.7
Subtotal—Public Health	\$38.7	\$22.8	\$11.1	\$10.1	\$9.3	\$92.0
Public Assistance						
1. General Assistance	\$6.0	\$47.0	\$88.1	\$108.6	\$108.6	\$358.3
2. Foster Care	0.7	3.1	2.7	2.3	2.1	10.9
3. AFDC-U	0.4	7.4	14.3	46.4	47.7	116.2
4. SSI/SSP	4.3	12.9	21.4	27.4	23	89
5. Food Stamps	0.1	0.3	0.3	0.3	0.3	1.3
6. Medi-Cal	6.3	26.9	47.5	65.7	65.7	212.1
7. Medically Indigent Services Program ..	41.1	67.6	94	96.2	96.2	395.1
8. County Medical Services Program	3	4.9	6.7	7	7	28.6
9. Primary Care Clinics	8.5	11.6	14.7	14.7	14.7	64.2
10. DHS Administration	1.3	1.9	2.7	3.5	3.6	13
11. DSS Administration	0.4	0.6	0.6	0.6	0.6	2.8
12. HWA Administration	0.1	0.2	0.2	-	-	0.5
Subtotal—Public Assistance	\$72.2	\$184.4	\$293.2	\$372.7	\$369.5	\$1,292.0
Education						
1. Adult Education (ESL and Civics)	\$30	\$80	\$110	\$90	\$27.1	\$337.1
2. K-12 Supplemental	4.2	2.8	1.4	-	-	8.4
3. SDE and CCC Administration	0.6	1.3	1.7	1.4	0.5	5.5
Subtotal—Education	\$34.8	\$84.1	\$113.1	\$91.4	\$27.6	\$351.0
Grand Total	\$145.7	\$291.3	\$417.4	\$474.2	\$406.4	\$1,735.0

tinuum of preventative, diagnostic, therapeutic, rehabilitative, supportive and maintenance services that address the health, social and personal needs of individuals who have restricted self-care capabilities."

Long-term care services consist of two components: (1) institutional care (for example, nursing home care) and (2) community-based services. Community-based services include residential care facilities and services which assist individuals to remain in their home instead of being placed in an institution. (Residential care facilities are not classified as "institutional care" in State law. Their level of medical care and funding arrangements differ significantly from institutional care facilities.)

Long-term Care services are provided not only to elderly people, but also to younger, chronically ill, developmentally, mentally or physically disabled people by several departments. These agencies include the Departments of Health Services, Mental Health, Developmental Services, Social Services and the California Department of Aging.

The information provided in Tables 7-4 and 7-5 summarizes State and federal expenditures for long-term care services for 1986-87, 1987-88 and proposed expenditures for 1988-89. This display identifies the services provided, the department responsible for administration and the number of persons receiving services.

Table 7-4
Long Term Care Services ¹
Expenditures by Fund Source
(Dollars in Millions)

Department	1986-87			1987-88			Percent Change	1988-89			Percent Change
	General	Federal	Other	General	Federal	Other	General	General	Federal	Other	General
AGING											
Adult Day Health Care	\$5.7	\$4.4	\$2	\$7.1	\$6.2	-	24.6	\$6.9	\$6.8	-	-2.8
Alzheimer's Day Care Centers .....	.4	-	-	.9	.2	-	125	.9	.2	-	-
Linkages	4.3	-	-	4.3	-	-	-	4.3	-	-	-
Multi-Purpose Senior Services Program	11.0	9.8	-	11.4	11.1	-	3.6	11.4	11.1	-	-
Transportation .....	.4	4.0	2.6	.4	4.1	\$2.8	-	.4	4.2	\$2.8	-
In-Home Services .....	.1	3.1	2.4	.1	3.3	2.5	-	.1	3.5	2.6	-
Home Delivered Meals	7.0	12.6	11.3	6.7	10.3	11.3	-4.3	6.7	10.3	11.3	-
Congregate Nutrition	6.0	36.5	27.1	6.5	39.7	27.1	8.3	6.6	39.8	27.1	1.5
Case Management .....	.1	2.1	1.4	.1	2.5	1.6	-	.2	2.6	1.7	100.0
Information & Referral .....	.3	4.1	2.5	.3	4.1	2.5	-	.3	4.1	2.5	-
Others	2.5	1.5	-	2.4	1.1	1.5	-4.0	2.3	1.1	2.7	-4.2
Total Expenditures	\$37.8	\$78.1	\$47.5	\$40.2	\$82.6	\$49.3	6.4	\$40.1	\$83.7	\$50.7	-.25
DEVELOPMENTAL SERVICES											
Regional Centers ⁵	\$356.9	\$1	-	\$407.7	\$1	\$2.7	14.2	\$442.9	\$15.9	\$2.7	8.6
Operations	(108.2)	-	-	(118.7)	-	(1.2)	(9.7)	(118.8)	(15.8)	(1.2)	.1
Purchase of Services ...	(248.7)	(.1)	-	(289.0)	(.1)	(1.5)	(16.2)	(324.1)	(0.1)	(1.5)	12.1
State Developmental Centers	252.6	184.0	\$1.3	255.7	194.4	1.0	1.2	267.5	196.7	1.0	4.6
Community Development ⁵	7.8	1.2	3.9	2.0	4.9	1.7	-74.4	2.1	8.5	2.2	5.0
Total Expenditures	\$617.3	\$185.3	\$5.2	\$665.4	\$199.4	\$5.4	7.8	\$712.5	\$221.1	\$5.9	7.1
HEALTH SERVICES											
Alzheimer's Disease Centers	\$1.5	-	-	\$2.3	-	-	53.3	\$2.3	-	-	-
Long Term Care (Skilled Nursing Facilities and Intermediate Care Facilities)	521.8	\$515.4	-	538.8	\$532.9	-	3.3	555.2	\$550.3	-	3.0
Total Expenditures	\$523.3	\$515.4	-	\$541.1	\$532.9	-	3.4	\$557.5	\$550.3	-	3.0
REHABILITATION											
Work Activity Program	\$56.0	-	-	\$57.4	-	-	2.5	\$62.8	-	-	9.4
Supported Employment Program	4.2	\$7	-	12.2	\$5	-	190.5	13.5	\$5	-	10.7
Independent Living Centers	4.7	.7	\$3	5.2	.6	-	10.6	5.2	.6	-	-
Total Expenditures	\$64.9	\$1.4	\$3	\$74.8	\$1.1	-	15.3	\$81.5	\$1.1	-	9.0
SOCIAL SERVICES											
Non-Medical Board and Care	\$157.1	\$128.7	-	\$165.8	\$135.8	-	5.5	\$171.2	\$140.3	-	3.3
Out of Home Care Adults	1.9	4.5	-	1.9	4.5	-	-	1.9	4.7	-	-
Special Adult Programs ...	3.7	-	-	4.6	.2	-	24.3	5.1	.2	-	10.9
In-Home Supportive Services	151.5	299.3	\$25.6	210.6	303.6	\$31.2	39.0	317.1	304.9	\$31.2	50.6
County Services Block Grant	22.1	-	5.7	22.9	-	5.7	3.6	22.9	-	5.7	-
Total Expenditures	\$336.3	\$432.5	\$31.3	\$405.8	\$444.1	\$36.9	20.7	\$518.2	\$450.1	\$36.9	27.7

**Table 7-4—Continued
Long Term Care Services
Expenditures by Fund Source
(Dollars in Millions)**

Department	1986-87			1987-88			Percent Change	1988-89			Percent Change
	General	Federal	Other	General	Federal	Other	General	General	Federal	Other	General
MENTAL HEALTH											
State Hospitals ³											
Penal Code and Judicially Committed.....	\$25.0	—	—	\$29.0	—	—	16.0	\$31.6	—	—	8.9
Lanterman-Petris-Short	57.1	—	—	55.1	—	—	-3.5	58.5	—	—	6.2
Other Services.....	.2	—	\$7.7	.2	—	\$7.1	—	.2	—	\$7.2	—
Community Residential Treatment.....	1.0	—	—	1.0	—	—	—	1.0	—	—	—
Community Services—											
Other.....	25.8	—	—	26.2	—	—	1.6	26.2	—	—	—
Residential Care Services	8.0	—	—	14.1	—	—	76.3	14.1	—	—	—
Institutions for Mental Disease ⁴	—	—	—	41.3	—	12.4	—	50.8	—	15.3	23.0
Brain Damaged Adults.....	2.5	—	—	3.3	—	—	32.0	4.4	—	—	33.3
Total Expenditures	\$119.6	—	\$7.7	\$170.2	—	\$19.5	42.3	\$186.8	—	\$22.5	9.8
TOTAL EXPENDITURES											
ALL PROGRAMS	\$1,699.2	\$1,212.7	\$92.0	\$1,897.5	\$1,260.1	\$111.1	11.7	\$2,096.6	\$1,306.3	\$116.0	10.5

¹ Includes service provision and administration.

² Includes Health Insurance Counseling and Advocacy, Senior Companion, Respite and Ombudsman.

³ Does not include county match funds.

⁴ Funded under DHS Long Term Care budget item in FY 1987-88.

⁵ Community Placement costs are reflected in 1986-87 totals for Community Development and in Regional Centers totals in subsequent years.

Table 7-5
Long Term Care Services
Total Funding and Clients
(Dollars in Millions)
(Clients in Thousands)

	1986-87		1987-88		Percent	1988-89		Percent
Department	Total \$	Clients	Total \$	Clients	Change of Total \$	Total \$	Clients	Change of Total \$
AGING								
Adult Day Health Care	\$10.3	3.0	\$13.3	4.0	29.1	\$13.7	4.0	3.0
Alzheimer's Day Care .....	.4	.3	1.1	.7	175	1.1	.3	-
Linkages	4.3	3.0	4.3	3.0	-	4.3	3.0	-
Multi-Purpose Senior Ser- vices Program	20.8	7.9	22.5	8.8	8.2	22.5	8.9	-
Transportation	7.0	52.6	7.3	52.7	4.3	7.4	53.8	1.4
In-Home Services	5.6	46.0	5.9	46.8	5.4	6.2	47.8	5.1
Home Delivered Meals	30.9	47.7	28.3	51.0	-8.4	28.3	51.0	-
Congregate Nutrition	69.6	216.0	73.3	220.8	5.5	73.5	220.8	.3
Case Management	3.6	14.6	4.2	16.8	16.7	4.5	17.0	7.1
Information & Referral	6.9	468.8	6.9	468.8	-	6.9	468.8	-
Others ^{1,2}	4.0	61.4	5.0	67.4	25.0	6.1	100.4	22.0
Total Expenditures	\$163.4	-	\$172.1	-	5.3	\$174.5	-	1.4
DEVELOPMENTAL SERVICES								
Regional Centers	\$357.0	-	\$410.5	-	15.0	\$461.5	-	12.4
Operations	(108.2)	77.3	(119.9)	84.4	(10.8)	(135.8)	89.8	(13.3)
Purchase of Services	(248.8)	58.1	(290.6)	41.1	(16.8)	(325.7)	43.9	(12.1)
State Developmental Cen- ters	437.9	6.7	451.1	6.8	3.0	465.2	6.9	3.1
Community Development ⁴ ..	12.9	-	8.6	-	-33.3	12.8	-	48.8
Total Expenditures	\$807.8	-	\$870.2	-	7.7	\$939.5	-	8.0
HEALTH SERVICES								
Alzheimer's Treatment Cen- ters	\$1.5	.4	\$2.3	.4	53.3	\$2.3	.5	-
Long Term Care (Skilled Nursing Facilities and In- termediate Care Facili- ties)	1,037.2	69.9	1,071.7	71.0	3.3	1,105.5	72.0	3.2
Total Expenditures	\$1,038.7	-	\$1,074.0	-	3.4	\$1,107.8	-	3.1
REHABILITATION								
Work Activity Program	\$56.0	13.7	\$57.4	14.4	2.5	\$62.8	14.8	9.4
Supported Employment Pro- gram	4.9	1.3	12.7	3.2	159.2	14.0	3.4	10.2
Independent Living Centers .	5.7	-	5.8	-	1.8	5.8	-	-
Total Expenditures	\$66.6	-	\$75.9	-	14.0	\$82.6	-	8.8
SOCIAL SERVICES								
Non-Medical Board and Care	\$285.8	64.4	\$301.6	65.6	5.5	\$311.5	66.8	3.3
Out of Home Care Adults	6.4	15.0	6.4	15.3	-	6.6	15.6	4.5
Special Adult Programs	3.7	.8	4.8	.8	29.7	5.3	.8	10.4
In-Home Supportive Ser- vices	476.4	119.3	545.4	126.0	14.5	653.2	135.5	19.8
County Services Block Grant	27.8	74.9	28.6	74.9	2.9	28.6	77.5	-
Total Expenditures	\$800.1	-	\$886.8	-	10.8	\$1,005.2	-	13.4

Table 7-5—Continued
Long Term Care Services
Total Funding and Clients
(Dollars in Millions)
(Clients in Thousands)

Department	1986-87		1987-88		Percent Change of Total \$	1988-89		Percent Change of Total \$
	Total \$	Clients	Total \$	Clients		Total \$	Clients	
MENTAL HEALTH ⁵								
State Hospitals.....								
Penal Code and Judicially								
Committed	\$25.0	0.8	\$29.0	.9	16.0	\$31.6	.9	9.0
Lanternman-Petris-Short.....	57.1	1.3	55.1	1.3	-3.5	58.5	1.4	6.2
Other Services.....	7.9	.25	7.3	.3	-7.6	7.4	.3	1.4
Community Residential								
Treatment ⁴	1.0	-	1.0	-	-	1.0	-	-
Community Services-Other ⁴	25.8	-	26.2	-	1.6	26.2	-	-
Residential Care Services ⁴ ..	8.0	-	14.1	-	76.3	14.1	-	-
Institutions for Mental								
Disease ^{3,1}	-	2.9	53.7	2.9	-	66.1	3.2	23.1
Brain Damaged Adults.....	25	-	3.3	-	32.0	4.4	-	33.3
Total Expenditures.....	\$127.3	-	\$189.7	-	49.0	\$209.3	-	10.3
TOTAL EXPENDITURES ALL								
PROGRAMS	\$3,003.9	-	\$3,268.7	-	8.8	\$3,518.9	-	7.7

¹ Clients displayed may be duplicated unless otherwise noted.

² Includes Health Insurance Counseling and Advocacy, Senior Companion, Respite and Omsbudsman.

³ Funded under DHS Long Term Care Budget item in FY 1987-88.

⁴ Specific client numbers are unable to be captured.

⁵ Does not include county match funds.



Natural Resources

The Resources Agency is responsible for the protection of California's uniquely rich and diverse natural resource base. The Agency, through a wide range of programs, ensures the preservation, sound management and wise use of the State's water, fish, wildlife, forest, mineral and recreational resources.

The Governor's Budget proposes total Resources program expenditures in 1988-89 of \$1.3 billion for State operations and local assistance, as shown in Table 8-1.

The following are major programs contained within the Resources Agency.

Department of Parks and Recreation

The Department of Parks and Recreation is responsible for acquiring, preserving, developing and managing the natural, cultural and recreational resources in the State Park System and the State Vehicular Recreational Area and Trail System. The State Park System consists of 287 individual units, including 42 units administered by local and regional park agencies. These park units contain approximately 1.4 million acres, 292 miles of ocean and bay frontage and 677 miles of lake, reservoir and river frontage. Over 81 million visitor-days are expected in 1988-89.

The State Vehicular Recreation Area and Trail System includes 52,000 acres in six units. Over 1.5 million visitor-days are expected at these six units in 1988-89.

***"The State Park
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contain(s)
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miles of lake,
reservoir and river
frontage."***

The Governor's Budget proposes a funding level of \$207 million which includes \$152.8 million and 2,917 personnel years for support of State operations and \$54.2 million for local assistance grants in 1988-89. Significant program increases for support operations include:

- \$1 million and 15 personnel years for the operation and maintenance of new developments that will be completed and open for public use by 1988-89. These units represent an investment of over \$2.4 million in various State funds, primarily from general obligation bond funds.
- \$1.5 million and 19 personnel years for the operation and maintenance of new properties added to the State Park System.
- \$1 million to help address the backlog of road maintenance projects.
- \$1 million to provide funding in accordance with the terms of the revised multi-beach operating agreement with Los Angeles County.
- \$600,000 and 12 personnel years to prepare resource inventories in connection with the General Plans for units of the State Park System.
- \$2 million and 15 personnel years to meet other increasing workload, and to fund revenue generating opportunities, repair projects and equipment needs within the Department.
- \$1.6 million and 6 personnel years for the Off-Highway Motor Vehicle Recreation Division which in-

**Table 8-1
Natural Resources
Proposed 1988-89 Expenditures
(In Thousands)
All Funds**

	<i>Total State Operations and Local Assistance</i>	<i>General Fund</i>
Agency Secretary	\$1,396	\$1,288
Boating and Waterways.....	30,415	263
California Tahoe Conservancy..	3,478	775
Coastal Commission	9,330	6,323
Coastal Conservancy	3,347	0
Colorado River Board	802	258
Conservation	123,425	15,025
Conservation Corps.....	58,114	44,420
Energy Commission	156,845	0
Fish and Game.....	119,059	8,878
Forestry and Fire Protection	291,515	211,237
Parks and Recreation.....	207,017	79,487
Santa Monica Mountains Con- servancy.....	618	253
SAFE-BIDCO	190	0
S. F. Bay Conservation and De- velopment Commission	1,736	1,536
Special Resources	1,712	1,302
State Lands	16,290	14,328
Water Resources	320,396	32,424
Wildlife Conservation Board.....	581	0
Total	\$1,346,266	\$417,797

cludes staffing for the acquisition of a new unit from the County of Sacramento; staff to monitor access, collect revenues, and maintain new facilities; and funds to address various safety and environmental issues.

- In addition to the \$207 million budget reflected in Table 8-1, \$18.1 million is proposed for various park rehabilitation, development and acquisition projects. This amount includes \$1.4 million for off-highway vehicle areas.

Department of Water Resources

The role of the Department of Water Resources is to protect, develop and manage the State's precious water supply for present and future generations. The Department has a responsibility for the development of sufficient water to meet domestic, agricultural, industrial, and recreational activities as well as power

generation and fish and wildlife needs. The Department also has major public safety responsibilities for flood prevention, dam safety and safe drinking water.

The Governor's Budget for 1988-89 proposes \$320 million in State operations and local assistance funding and 2,650 personnel years. This funding amount represents an increase from the 1987-88 level, primarily due to an increase in expenditures from the 1984 and 1986 California Safe Drinking Water Bond Acts.

Approximately one-half of the Department's budget represents funding to maintain and operate the State Water Project. The State Water Project is one of the most extensive and effective water management systems in the world. It is made up of physical facilities to meet a portion of California's increasing water needs from Plumas County in Northern California to Central and Southern California for agricultural, industrial, and domestic use.

Major proposals for 1988-89 include the following:

- \$15.9 million to continue the Department's flood control activities and projects. Specifically, this includes \$375,000 to fund the State's share of a joint federal-State-local agency study to improve flood protection on the American River. An increase in funding is proposed for the flood control subventions program, from \$11.4 million to \$13 million, for support of the State's share of local agency-sponsored, federally authorized flood control projects. In addition, \$1.8 million is proposed to continue the State's delta levee maintenance subventions program, under which the State shares costs with local agencies for nonproject levee maintenance in the Sacramento-San Joaquin Delta. Another \$200,000 is proposed to perform nonproject delta levee inspections and report the degree of compliance with the Flood Hazard Mitigation Plan for the Sacramento-San Joaquin Delta.

***“ . . . \$207 million
budget is proposed for
various park
rehabilitation,
development and
acquisition projects.”***

- \$28.5 million in local assistance loans to provide for construction of water conservation and groundwater recharge projects under the provisions of the Water Conservation and Water Quality Bond Law of 1986.
- \$26.6 million increase in local assistance grants and loans to local agencies for construction, improvement, or rehabilitation of domestic water systems under the provisions of the voter-approved 1984 and 1986 California Safe Drinking Water Bond Laws.
- \$3.8 million to provide program support for various water quality, agricultural water conservation, and water management activities within the Department.

Department of Fish and Game

The Department of Fish and Game is responsible for ensuring the perpetuation of fish, wildlife and plant resources for use and enjoyment by the people of the State now and in the future. Through the management of its 63 wildlife areas, 59 ecological reserves, and 25 inland and anadromous fish hatcheries, the Department provides recreation to 2.5 million anglers and hunters. In addition, the Department monitors 10,500 land and water development projects to ensure the protection of the State's natural resources.

In addition to the expenditures included in the Governor's Budget, the Department will be introducing legislation to establish a Nonconsumptive User Program which will offer services at existing wildlife areas and ecological reserves to accommodate individuals who participate in nonconsumptive recreational activities such as: bird watching, photography, hiking and nature history studies.

The Governor's Budget for 1988-89 proposes a funding level of \$119 million and 1,568 personnel years for the Department. Major expenditure proposals include:

- \$2.4 million in reimbursements and 3 personnel years to increase the Department's efforts to miti-

*“ . . . the Department
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legislation to establish
a Nonconsumptive
User Program which
will offer services at
existing wildlife areas
and ecological
reserves. . . . ”*

gate losses of striped bass, salmon, steelhead and other fishes. Activities also include improvement of fisheries throughout the Sacramento-San Joaquin River systems.

- \$945,000 and 19 personnel years to increase anadromous fishery monitoring and restoration activities, which are required as part of the State's participation in the Federal Klamath and Trinity River restoration programs.
- \$508,000 to increase the Department's Licensing Program to redesign and automate the License and Revenue agent system to improve fund accounting and the license inventory system.
- \$475,000 to expand the Department's Public Information Program to inform the license buyers of use opportunities, improve compliance with laws and regulations and increase awareness of departmental programs and recreational opportunities.
- \$396,000 and 4 personnel years to increase the operation of the marine offshore boat fleet. This augmentation will assist the Department's efforts in law enforcement, detection, clean-up and monitoring of offshore oil and hazardous materials spills, public education and other related activities.
- \$250,000 to increase the Tule Elk Management Program. This augmentation will assist the Department in relocating and monitoring the increased populations of tule elk, as well as provide an appropriate level of sport hunting.

Department of Forestry and Fire Protection

The Department of Forestry and Fire Protection is responsible for the protection and enhancement of the State's forest, watershed and rangeland resources. The Department maintains a highly professional and integrated rural and urban fire fighting organization that is designed to meet the high levels of fire hazards that exist within the State. The Department is also responsible for forest resource man-

agement and regulation of timber harvest practices to optimize the social and economic benefits derived from California's forest resources for present and future generations.

Beginning August 30, 1987, and for the next two months, the Department assisted the federal government in fighting numerous major forest fires burning throughout the State. Approximately 800,000 acres were burned, taking the lives of 10 firefighters, destroying 38 homes, burning 1.9 billion board-feet of timber, and damaging \$8 to \$10 million worth of soil, wildlife habitat and watershed resources. To date, the Department has been provided up to \$52 million in expenditure authority to cover the costs of the 1987 Fall fire seige.

The Governor's Budget proposes \$292 million and 4,159 personnel years in State operations funding for essential fire protection and forest resource management activities. Proposed expenditures for 1988-89 include the following:

- \$3.3 million to provide program support for the Department's telecommunications program, additional mobile equipment, increased special repairs and additional aircraft safety equipment.
- \$2.5 million to expand the Department's conservation camps programs in conjunction with the Departments of Corrections and Youth Authority and to improve and rehabilitate water supply and waste water systems in the Department's existing conservation camps.
- \$1.4 million to provide program support for various forest resource enhancement programs, including \$1 million in additional grants for the California Forest Improvement Program, \$150,000 for the Department's urban forestry program, and \$125,000 for eradication of pitch canker in California.

***"The Governor's
Budget proposes \$292
million and 4,159
personnel years in
State operations
funding for essential
fire protection and
forest resource
management
activities."***

Department of Conservation

The Department of Conservation encourages the proper management of the State's land, energy and mineral resources. Additionally, the Department investigates and disseminates information related to natural hazards such as seismic and volcanic activity and geologic slides. The Department's services and information are used in making land use decisions, as well as decisions regarding facility sitings, the regulation of energy resources, and the protection of the State's agricultural lands and open space resources.

In 1986-87, the Department established the Division of Recycling which was authorized by the California Beverage Container Recycling and Litter Reduction Act (Chapter 1290, Statutes of 1986). The Act's goal is to achieve an 80 percent recycling rate for beverage containers sold in California.

On September 1, 1987, the recycling and litter reduction program began. It is supported by a one cent per container fee which the Act requires be paid by distributors for each beverage container sold in California. Revenues of \$100 million annually are anticipated from the container fee. These revenues will allow the Department to pay a processor of recycled beverage containers the one cent, plus an applicable bonus. In turn, the processor will reimburse the recycling center who paid the consumer for the return of the container. Revenue not used for direct recycling will provide for administrative costs, litter reduction and public education.

In 1988-89, the Division of Recycling proposes a budget of \$101 million and 107 personnel years. With this level of funding, the Division expects to provide contract management for recycling information, education and promotion; provide grant administration for litter abatement, recycling and related activities; ensure enforcement of established regulations and auditing/accounting activities to protect the integrity

of the California Beverage Container Recycling Fund.

The Governor's Budget for 1988-89 proposes a total funding level of \$123.4 million and 456 personnel years for the Department of Conservation. Proposed expenditures for 1988-89, in addition to the recycling program, include the following:

- \$1.12 million and 11 personnel years to increase the rate of installation of strong motion instruments in order to collect and provide data about earthquakes and their structural effects.
- \$1 million and 2 personnel years to develop a soil conservation plan, conduct soil surveys and continue the farmland mapping and monitoring program.
- \$589,000 to assure continued compliance with the California Environmental Quality Act and the California Endangered Species Act in Kern County oil fields.
- \$400,000 for a grant program to reduce methane gas hazards.

California Conservation Corps

The California Conservation Corps (CCC) provides substantial benefits to natural resources, human resources and the economy of the State of California while providing employment and educational opportunities to 18- to 23-year-old residents of the State. In addition, the CCC can provide an immediately available workforce to respond to emergencies, such as fires, floods, earthquakes and other natural disasters.

The Governor's Budget proposes \$58.1 million and 440 personnel years for support of the Corps' program. Proposed expenditures for 1988-89 include:

- \$4.2 million to fund the increase in the minimum wage to \$4.25 per hour.
- \$3.8 million for a new component in the CCC program targeted at assisting homeless youths. The CCC will be targeting homeless youths for placement in residential programs and homeless sin-

"The CCC will be targeting homeless youths for placement in residential programs and homeless single parents for placement in nonresidential programs."

": . . (\$13.5 million is) proposed for land acquisition in the Tahoe Basin from the Conservancy's bond funds for continued purchases of environmentally sensitive lands."

gle parents for placement in non-residential programs. Implementation of the new component will incorporate services to homeless youths provided through the Office of Criminal Justice Planning's pilot program. The Corps will also coordinate with other State agencies and service providers for the homeless.

- The Corps' training academy has been relocated to Camp San Luis Obispo and is currently occupying a temporary site at that location. Preliminary plans for construction of a permanent training facility at that location have been approved by the Public Works Board. The Governor's Budget includes continued funding of \$258,941 for 6 personnel years to support the project and \$1.7 million in capital outlay for construction. The estimated completion date for this project is May, 1991.

State Lands Commission

The State Lands Commission is responsible for the management and supervision of all statutory lands which the State has received from the federal government. The greatest portion of these lands lie between the mean high tide line and the three-mile limit off the California coast. Rents and royalties collected from surface uses, extraction of oil, gas, minerals and geothermal steam, and timber harvests represent the single largest source of the State's nontax revenues. In the 1988-89 fiscal year, these revenues are estimated to total \$195 million.

The Governor's Budget for 1988-89 provides an expenditure level of \$16.3 million and 241 personnel years for the Commission.

California Tahoe Conservancy

The California Tahoe Conservancy is responsible for acquisition, preservation and management of lands in the Lake Tahoe region for purposes of protection of the natural environment, provision of public access and recreational facilities and preservation of wildlife habitat areas. In addition to the \$3.5 million

budget reflected in Table 8-1, there is \$10 million proposed for land acquisition in the Tahoe Basin from the Conservancy's bond funds for continued purchases of environmentally sensitive lands.

Although the current principal focus of the Conservancy is the acquisition of environmentally sensitive lands, soil erosion control has also been identified as a major environmental concern in the Tahoe Basin. Soil erosion control is required to mitigate the effects of past development activities by reducing the discharge of sediment into the waters of Lake Tahoe and surrounding areas.

The Conservancy budget for 1988-89 includes \$2 million in local assistance funds for erosion control grants in the Lake Tahoe region. This amount will be awarded to various public agencies for restoration projects.

Special Environmental Programs

Environmental Protection Program. The Environmental Protection Program provides the State with additional funding to preserve and protect the many natural resources which contribute to California's environment. The program, funded from revenue from personalized license plate sales, supports projects and programs concerned with the control of air pollution, the acquisition and preservation of natural or ecological areas, environmental education, protection of nongame and endangered species, protection and enhancement of fish and wildlife habitat, and the purchase of sensitive natural areas by local, regional and State park agencies.

The Governor's Budget proposes \$24.4 million for the Environmental Protection Program. Proposed ex-

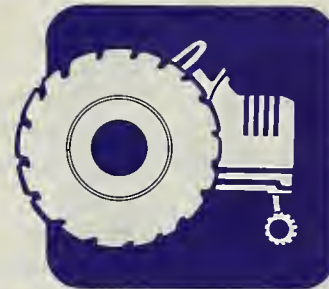
*“\$3.3 million . . . for
the acquisition and
preservation of
valuable fish and
wildlife habitat areas
in California.”*

penditures for 1988-89 include the following:

- \$1 million to continue the Soil Erosion Control Voluntary Grant Program administered by the California Tahoe Conservancy, which provides grants to local agencies for soil erosion control projects in the Lake Tahoe Basin.
- \$3.3 million to the Wildlife Conservation Board for various habitat acquisitions. This program provides for the acquisition and preservation of valuable fish and wildlife habitat areas in California.
- \$3.9 million for the Environmental Review and Evaluation Program in the Department of Fish and Game, which provides support for fish and wildlife enhancement and water quality protection. The program reviews local, State, and federal projects which are designed to maintain and restore terrestrial and aquatic fish and wildlife habitat and prevent environmental degradation.
- \$604,000 for the Department of Education to conduct a grant program to establish environmental education programs throughout the state.

Renewable Resources Investment Program. The Renewable Resources Investment Program supports programs and projects which improve or enhance California's wildlife and coastal environment. The program, which receives its revenues from federal geothermal leases, provides funding for salmon and steelhead restoration, watershed mapping, soil erosion control studies, and urban and agricultural water conservation programs.

The Governor's Budget proposes \$3.4 million for the Renewable Resources Investment Program in 1988-89.



Agriculture

California agriculture is the most diversified in the world with over 250 commercial crops. For 39 years California has been the leading agricultural state in the United States, ranking number one in the production of 56 different commodities. California's 33 million acres of farmland account for only 3 percent of the country's farmland, but produces over 50 percent of the nation's fruits and nuts and 49 percent of its vegetables. California agriculture is widely known for its variety and abundance but, perhaps most important of all, it is also known for its high quality. Californians can be justifiably proud of agriculture's variety, abundance and quality, and of the people who contribute to agriculture's vital role in the economy of our state.

Department of Food and Agriculture

The primary functions of the Department of Food and Agriculture are to:

- Serve the citizens of California and protect the consumer by maintaining a viable food system which assures delivery of an abundant supply of wholesome food.
- Provide leadership in the development of policy on issues important to California food and agriculture.
- Develop policy and provide assistance in areas such as marketing and exporting.
- Protect public and worker health and safety related to pesticide

"Californians can be justifiably proud of agriculture's variety, abundance and quality, and of the people who contribute to agriculture's vital role in the economy of our state."

use by registering and regulating agricultural chemicals.

- Prevent or eradicate intrusions of harmful plant and animal pests and diseases.
- Develop and enforce weights and measures standards for all levels of commerce.
- Provide support to district, county and citrus fairs in areas of planning, budgets, exhibits, vocational education, events, construction and maintenance.

Budget Highlights

The 1988–89 Governor's Budget proposes a total expenditure of \$169.3 million (refer to Figure 9-1) and 2,008 personnel years for the California Department of Food and Agriculture.

The budget includes proposals to continue to promote the sale of California agricultural commodities in foreign markets; to increase existing programs to protect the public from unsafe pesticides; and to complete the transfer of the Veterinary Laboratory Services to the University of California, Davis under the terms of Chapter 1536, Statutes of 1982. Highlights of the 1988–89 Governor's Budget include the following:

- \$200,000 to establish a trade and consumer export promotion program for agricultural commodities, as authorized by Chapter 1480, Statutes of 1987. This program will concentrate on increasing the number of California companies participating in international trade promotion events. This funding is in addition

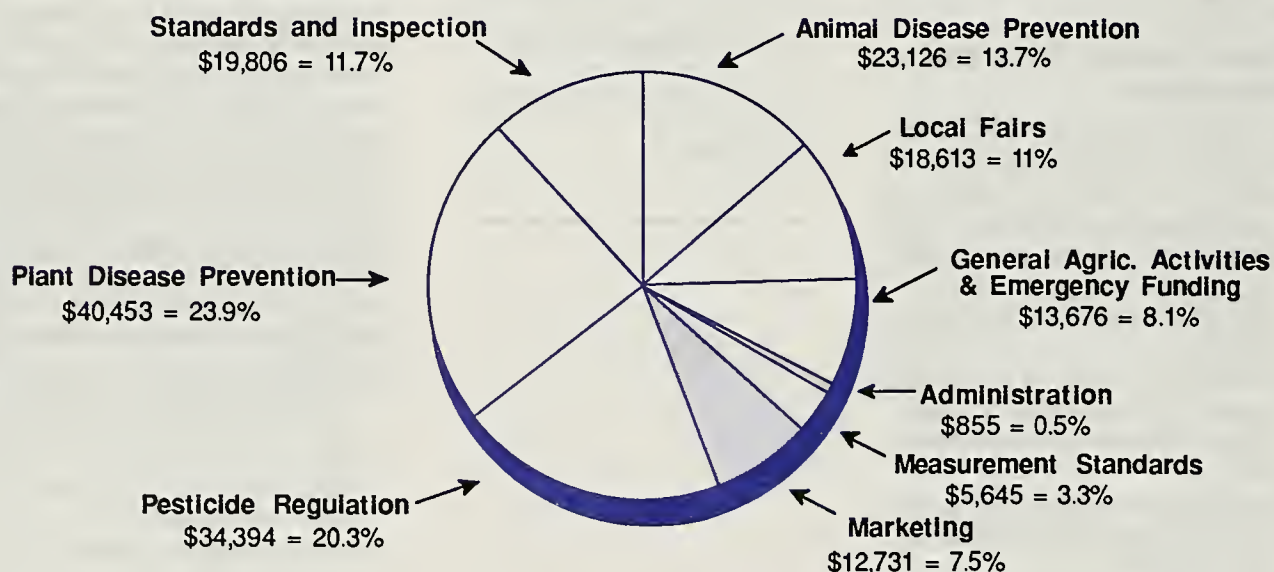
to the \$5.2 million grant program intended to promote the sale of agricultural products in foreign markets.

- \$250,000 is proposed to implement Chapter 1152, Statutes of 1987. These funds will be used for research contracts on non-chemical, post-harvest agricultural commodity quarantine treatments to improve the export-potential of perishable commodities. The State will provide up to half of the funds for each contract. The balance of the funds will be provided by organizations representing growers, shippers, manufacturers of agricultural commodities, non-profit trade associations, and federal and state marketing orders and commissions.
- \$269,000 is proposed to continue implementation of the Pesticide Contamination Prevention Act (Chapter 1298, Statutes of 1985)

by the Environmental Hazards Assessment Program. The third year schedule of activities includes establishing a new set of soil and water monitoring requirements in areas where pesticides have been found or are likely to be found in ground water.

- Last July the School of Veterinary Medicine, UC Davis, assumed the responsibility for operating the Veterinary Diagnostic Laboratory System under a contract with the Department of Food and Agriculture, requiring the transfer of 68 personnel years to UC Davis. A budget augmentation in the amount of \$2.4 million will enable the University to fully staff the laboratories.
- \$246,000 is proposed to combat hydrilla in Shasta County. It is estimated that California's rice industry could lose as much as \$1 million annually if hydrilla were to spread and become established throughout the Sacramento River.

Figure 9 - 1
Food and Agriculture
Proposed 1988-89 Expenditures
Amounts In Thousands
(All Funds)





General Government

California government includes a number of very diverse departments which provide a wide variety of services and programs to California residents, businesses, industries, local governments and other State departments.

Programs and services to the public include: maintaining various military veterans programs to assist with home purchases, veteran's benefits and care of aged veterans; maintaining the personal income tax programs; monitoring the State vehicle smog inspection program; maintaining the 9-1-1 Emergency Telephone Number System; administering retirement systems for public employees and educators; and developing and maintaining high standards of practice in professions licensed by the State.

Programs and services which impact business and industry include: promoting small and minority business programs; administering the bank and corporation income tax and the sales tax programs; and promoting California business and industry, including aerospace, energy and agriculture industries.

Services provided to local government and other State agencies include: assistance with the purchase of materials, manufactured products and services; reviewing telecommunication needs; providing centralized support services; reviewing hospital and school construction plans for conformance with structural safety standards; and managing the collective bar-

"California government includes a number of very diverse departments which provide a wide variety of services and programs to California residents, businesses, industries, local governments and other State departments."

gaining aspects of the State's personnel system.

Highlights of the Governor's 1988-89 Budget for the departments providing these and other services are discussed below.

State and Consumer Services Agency

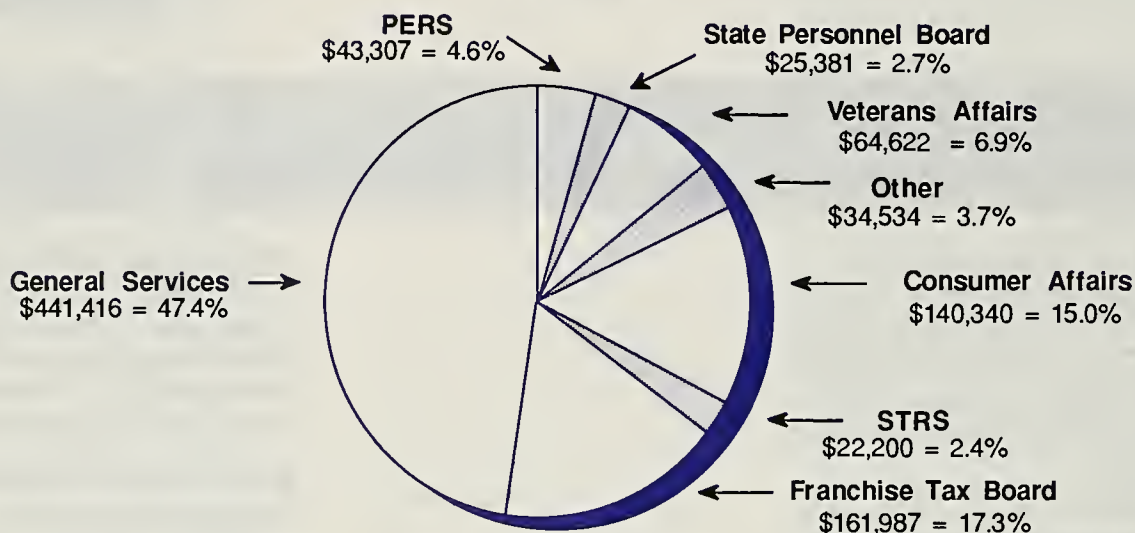
The State and Consumer Services Agency oversees the operations of the California Museum of Science and Industry, the Department of Consumer Affairs, the Department of Fair Employment and Housing, the Fair Employment and Housing Commission, the Office of the State Fire Marshal, the Franchise Tax Board, the Department of General Services, the State Personnel Board, the Public Employees' Retirement System, the State Teachers' Retirement System and the Department of Veterans' Affairs.

The Governor's Budget proposes a combined expenditure of \$936.8 million for support and local assistance for all organizations within the Agency. Additionally, \$1.2 billion is proposed for home loans to military veterans from the sale of bonds, as well as principal and interest payments to the bondholders. Figure 10-1 presents the proposed expenditure totals for many of these departments.

Department of Consumer Affairs

The Governor's Budget proposes \$140.3 million and 1,826 personnel years for the Department of Consumer Affairs.

Figure 10 - 1
State and Consumer Services
Proposed 1988-89 Expenditures*
Amounts in Thousands
(All Funds)



*Includes State Support and Local Assistance expenditures only and excludes Cal-Vet Loans and Student Financial Assistance. The State's contribution to the State Teachers' Retirement System is discussed in the Education Section of this Summary.

The Department of Consumer Affairs regulates over one million practitioners in more than 50 professions through the licensing, certification and registration programs administered by 40 boards, bureaus, committees and commissions under the Department's overall administrative organization. The purpose of these programs is to assure the consuming public that practitioners possess the qualifications necessary for the protection of the public health and safety.

In addition to licensing professionals and related business entities, the Department's Bureau of Automotive Repair administers the biennial vehicle inspection program in the State's urban population centers, overseeing the inspection of approximately six million vehicles annually. This is the primary program in the State's effort to reduce pollution from mobile sources.

Significant program adjustments in 1988-89 include:

- Bureau of Automotive Repair—Chapter 416, Statutes of 1986,

“The purpose of these programs is to assure the consuming public that practitioners possess the qualifications necessary for the protection of the public health and safety.”

permits any air quality district located within a federally designated non-attainment area to request the Bureau to implement the Smog Check Program within the district. The Governor's Budget proposes \$1.1 million and 9 personnel years to implement the Smog Check Program in San Joaquin County.

- Contractors State License Board—\$1.6 million is proposed to continue the industry expert program on a permanent basis.

Department of General Services

The Governor's Budget proposes \$384.3 million and 4,219 personnel years to support the Department of General Services programs. In addition, \$57.1 million in local assistance is proposed to operate the 9-1-1 Emergency Telephone Number System.

The Department provides centralized services for other State departments. One of the major objectives of the Department is to assist the

State and other public entities in obtaining services and materials at a lower cost than they could obtain individually. The services include facility acquisition and maintenance; a broad range of services designed to improve efficiency and reduce costs; and specialized services, such as conducting administrative hearings, assistance in the provision of telecommunication services and the procurement of equipment. In addition to these types of services and programs, the Department, through the Office of Local Assistance, develops recommendations for the allocation of State funds to public school districts for the construction or renovation of school facilities.

Program highlights in the 1988–89 Governor’s Budget include the following:

- The Office of Local Assistance has been augmented by \$934,000 and 21 personnel years in order to process an increase in applications for school construction funding anticipated as a result of Chapters 886, 887 and 888, Statutes of 1986. These pieces of legislation are expected to increase eligibility of school districts for state construction funds and thereby increase workload in the school construction program.
- The Office of the State Architect has been augmented by \$3.1 million and 15 personnel years in order to accomplish an increase in structural safety plan checks and access compliance plan checks resulting from the anticipated increase in the school construction program. The Office also oversees and recommends alternative methods of hazardous substance removal in state-owned facilities. This includes specific responsibilities for management of underground storage tanks law compliance, replacement of PCB contaminated equipment, and abatement of asbestos which poses a health hazard to occupants and visitors of state facilities. The budget proposes to maintain the same total funding

*“The basic 9-1-1
Emergency Telephone
Number System is
now operating in all
58 counties . . . (the)
State has implemented
an enhanced 9-1-1
System in 21
counties”*

level for these programs as the current year.

- The Office of Telecommunications proposes a total of \$1.1 million and 17 personnel years for increased workload resulting from the deregulation of the telephone industry. This increase in staff is needed to provide services to state departments that were previously provided by the telephone company. In addition, an augmentation of \$7.1 million is proposed for the Office of Telecommunications to continue the upgrade of the 9-1-1 Emergency Telephone Number System and for increased operating costs of the existing system. The basic 9-1-1 Emergency Telephone Number System is now operating in all 58 counties. The State has implemented an enhanced 9-1-1 System in 21 counties, which provides additional features for identifying the exact location of emergency calls. In 1988–89, the enhanced system will be implemented in four additional counties, with the remaining counties to be converted in future years.

State Personnel Board

The Governor’s Budget proposes expenditures of \$25.4 million and 298 personnel years for the State Personnel Board (SPB) in 1988–89. The SPB is responsible for serving the personnel needs of State agencies and for the improvement of personnel practices and procedures. The SPB oversees all aspects of the merit employment system, conducts recruitment efforts and provides leadership in personnel management, practices and procedures. The SPB also has the responsibility for coordination and evaluation of Affirmative Action/Equal Employment Opportunity efforts within all State departments. Additionally, the SPB is responsible for the Career Opportunities Development Program, including the development, implementation and operation of the Jobs Program for welfare recipients.

Department of Veterans Affairs

The Governor's Budget proposes an expenditure of \$77.4 million and 1,273 personnel years for support, local assistance and capital outlay improvements at the Department of Veterans Affairs and an expenditure of \$1.2 billion for loans and payments to bondholders.

The Department of Veterans Affairs provides services to meet the needs of California's veterans and their dependents. Primary programs administered by the Department include:

- The Cal-Vet and Cal-Guard loan programs, which provide long-term home loans at lower-than-market interest rates. Interest rates on Cal-Vet loans will be maintained at seven percent in 1987-88 reflecting favorable rates on recent bond sales.
- The Veterans Home of California in Yountville provides complete residential and medical facilities for approximately 1,400 veterans.
- Services which secure veterans benefits and entitlements at the State and federal levels, including a stipend program for high school and college students who are dependents of qualifying veterans.

Significant program expenditures in 1988-89 include:

- \$569 million for the provision of an additional 6,700 farm and home loans to veterans.
- \$12.8 million for capital outlay improvements at the Veterans Home, which will result in safer and more comfortable accommodations for residents.
- \$675,000 and 19 personnel years to provide increased nursing staff and compensation for overtime and holidays worked by 24-hour care staff at the Veterans Home.

Office of the State Fire Marshal

The Governor's Budget proposes expenditures of \$11 million and 165 personnel years for the State Fire Marshal.

The Office of the State Fire Marshal is responsible for protecting life and

"The Department of Veterans Affairs provides services to meet the needs of California's veterans and their dependents."

"Interest rates on Cal-Vet loans will be maintained at seven percent . . . reflecting favorable rates on recent bond sales."

property against fire. This task is met through the development and enforcement of fire safety standards for educational, institutional, public assembly and hazardous pipelines.

Significant program enhancements in 1988-89 include:

- A total of \$771,000 and 12 personnel years to permanently establish the State Building Inspection Program. Additional proposed funding will also provide construction plan checking and on-site inspection of school and hospital construction projects.

Franchise Tax Board

The Governor's Budget proposes expenditures of \$162 million and 3,399 personnel years for the Board.

The State's General Fund receives revenue from two primary sources—the sales tax and the income tax. The Franchise Tax Board administers the income tax program which contributes over 50 percent of total General Fund revenue. This revenue is collected from two sources—the personal income tax and the bank and corporation tax. These revenue sources contribute approximately 37 percent and 13 percent, respectively. (General Fund revenues are discussed more fully in the Revenue Estimates Section.)

Significant program highlights in 1988-89 include:

- \$483,000 and 19 personnel years to implement legislation authorizing conformity of California tax law with federal law.
- \$6 million and 197 personnel years is proposed to increase audit and collection activities which encourage taxpayer compliance and ensure that the tax burden is fairly shared.
- \$5.3 million and 10 personnel years to fund the costs of implementing legislation which authorizes reimbursement to counties for lien fees, and the use of private collection agencies to collect delinquent taxes on a pilot basis through December 31, 1991.

State Board of Equalization

The State Board of Equalization administers the Sales and Use Tax program in addition to 12 other tax programs for support of State and local government activities. The Governor's Budget proposes \$156 million and 3,092 personnel years for the Board.

Significant 1988-89 Budget highlights include:

- \$913,000 and 25 personnel years is proposed to accommodate the increased workload associated with registering new taxpayers and processing tax returns.
- \$5.6 million and 162 personnel years is proposed to increase audit activities which encourage taxpayer compliance and ensure that the tax burden is fairly shared.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) administers retirement benefits, health benefits and Social Security coverage for State, contracting public agency and classified school employees. PERS also provides administrative support for the retirement programs for judges, legislators and volunteer firefighters.

PERS serves approximately 560,000 members and 212,000 are receiving benefits. It is the largest public employee retirement system in the nation. The Board is comprised of thirteen members; three ex-officio members (Director of the Department of Personnel Administration, State Controller and the State Treasurer), two members appointed by the Governor, one representative of the State Personnel Board, one member appointed jointly by the Speaker of the Assembly and the Senate Rules Committee and six members elected by the membership.

The 1988-89 Budget proposes expenditures of \$43.3 million and 718 personnel years for PERS administrative functions.

*"STRS ... is the
largest teachers'
retirement system in
the United States."*

*"The Council stresses
the development of
community-based
cultural activities in
rural areas as well as
in major metropolitan
cultural centers."*

State Teachers' Retirement System

The State Teachers' Retirement System (STRS) was established in 1913 as a statewide system for the payment of retirement benefits to public school teachers. The Teachers' Retirement Board was formed in 1963 primarily to administer the Teachers' Retirement Fund. STRS serves approximately 316,000 members and 111,000 persons receiving benefits, and is the largest teachers' retirement system in the United States. The Board is composed of four ex-officio members (the Superintendent of Public Instruction, State Treasurer, State Controller and the Director of Finance), four Governor-appointed members, three public citizens and one retirant of the system.

The Governor's Budget proposes expenditures of \$22.2 million and 318 personnel years for this program. Proposed expenditures will provide for the continued development of the "on-line" computerized information system, as well as continued enhancement of services to members and employers. (Additional discussion of STRS is provided in the Education Section.)

California Arts Council

The California Arts Council was established by Chapter 1192, Statutes of 1975, to encourage artistic awareness, participation and expression among the citizens of California. The Council stresses the development of community-based cultural activities in rural areas as well as in major metropolitan cultural centers.

The Governor's Budget provides an expenditure level of \$15.7 million and 57 personnel years. The 1988-89 Budget includes \$1 million to implement a new California Challenge Program to encourage increased private sector funds to support arts programs and projects through higher matching grants. This program is designed to generate \$2.3 million in additional non-State support for the arts.

Board of Control

The Board of Control is responsible for reviewing and acting upon all claims for money or damages that are made against the State, including the compensation of innocent victims of crimes. For 1988–89, the Governor's Budget proposes expenditures of \$75 million and 161 personnel years. The budget includes the following highlights:

- \$484,000 and seven personnel years to accommodate the growing number of claims received from victims of crime seeking reimbursement through the Restitution Fund.
- An increase of approximately \$24 million in victims' claims payments over 1986–87.

Department of Industrial Relations

The Department of Industrial Relations' primary function is to foster, promote and develop the welfare of California wage earners, to improve their working conditions and to advance opportunities for employment. These goals are pursued by promoting health and welfare, economic development and job creation; encouraging the full utilization of California's human resources; and by enforcing the labor code, the orders of the Industrial Welfare Commission, and regulations and statutes designed to protect worker safety and health.

The Governor's Budget provides an expenditure level of \$119.5 million and 1,860 personnel years. The Governor's Budget includes funding for that portion of Cal/OSHA activities related to necessary public sector responsibilities and consultation services for employers in both the public and private sectors. California employers and employees can be assured that the federal government will continue to deliver appropriate services to provide safety in the workplace. Highlights of the

"The Department of Industrial Relations' primary function is to foster, promote and develop the welfare of California wage earners, to improve their working conditions and to advance opportunities for employment."

1988–89 Budget include:

- \$4 million to augment the base budget level for payment of claims against the Uninsured Employers' Fund. This is the fund from which benefits are paid to employees of illegally uninsured employers in California.
- \$365,000 to extend the pilot automated Permanent Disability Rating System to 13 field offices.
- \$1.3 million for office automation for the Workers' Compensation Appeals Board offices.
- \$325,000 for two new field offices, staff training and increased reimbursements from the State Compensation Insurance Fund.
- \$272,000 and 12 personnel years for increased workload, a new automated Pressure Vessels Tracking System and staffing for the Occupational Safety and Health Appeals Board.
- \$470,000 and 14 personnel years in the Division of Labor Standards Enforcement to address increased workload in the wage claims, field inspections and litigation units.
- \$77,000 and two personnel years to address increased apprenticeship claims.
- \$220,000 and five personnel years in Administration to address increased workload in the Legal and Information Systems Support Units, and provide departmental auditing.
- The 1988–89 Budget proposes to continue to increase the efficiency and productivity of the Department by employing personnel more effectively. This will be accomplished through progressive implementation of the Department-wide automation plan, redirection or elimination of positions which no longer impact productivity and service and the addition of positions which are essential to carrying out the Departments' goals and objectives.



State/Local Government Partnership

This Administration has made strengthening the partnership between State and local governments a primary objective. Three key Administration proposals have become law which are particularly important to this partnership.

Chapter 1286, Statutes of 1987 (AB 650), provided one time grants to counties totalling \$110 million, and also created an ongoing program which stabilizes county revenues. For the first time the State is acknowledging that increases in the amounts needed to meet State requirements for matching funds can, over a period of time, erode county discretionary revenues. Essentially, this new program will ensure that the fraction of county general purpose revenue needed to fulfill specified State requirements for matching funds does not increase beyond the fraction of general purpose revenue required for this purpose in fiscal 1981-82.

Chapter 1211, Statutes of 1987 (SB 709), authorizes \$370 million in State funding for local trial courts which have previously been supported by counties and creates a new grant program for improving court operations. Together with previously enacted legislation, this new funding arrangement facilitates greater efficiencies in court operations and provides substantial fiscal relief to local governments in California.

Chapter 1147, Statutes of 1986, created, as part of the Administration's Rural Renaissance Program, the Rural Economic Development Promotion Program and appropriated

approximately \$8 million to provide grants to eligible rural counties for promotion of economic development. Additional subsequent appropriations of \$20 million have brought the total to date to \$28 million. The Rural Renaissance program is described in the Business, Housing and Transportation Section of this Summary.

These three laws create the foundation for increased local government fiscal health and discretion so that they may continue to provide for the essential services which are under their authority.

There have been a number of accomplishments in previous years which have done much to ensure a viable partnership between State and local governments. These include the following:

- Repeal of previous law, enacted in 1979, which provided an automatic reduction in local government subventions if State General Fund revenues did not increase at a specified rate. The elimination of this provision removed a significant funding uncertainty for local jurisdictions.
- Guarantee of vehicle license fee revenues for local government—A constitutional amendment was proposed in 1984 and passed in 1986 which guaranteed that revenue from vehicle license fees would be a local revenue.
- Reestablishment of the authorization for local general obligation bonds—A constitutional amendment was proposed in 1984 and passed in June, 1986 to reinstate

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local government's ability to use the property tax to guarantee general obligation bonds with a two-thirds vote of the electorate.

Additionally, the Governor signed legislation creating the Commission on State Mandates to insure that programs mandated by the State would include sufficient funds to carry out required activities.

Local government continues to fulfill an essential role in the provision of services to the public. It is important that this ability to provide solutions to unique local problems be preserved despite increasingly stringent fiscal constraints.

County Revenue Stabilization Program

The Stabilization program was first proposed in the 1986–87 Governor's Budget. Local officials had expressed concerns that their revenue base was being eroded because they were required by State law to provide increased amounts as a match to State programs. Since they believed the amount of the match is essentially outside of their control, they saw this as an unfair reduction in already limited general purpose revenues.

Chapter 1286, Statutes of 1987, addressed this problem. The fraction of each county's general purpose revenue needed to meet specified requirements for matching funds is compared to the fraction of general purpose revenue needed for those same match requirements in the 1981–82 fiscal year. If the fraction of general purpose revenue needed to meet match requirements has increased, the State is authorized to provide enough funding to reduce this fraction to the 1981–82 level. Essentially, the State is providing sufficient funding to keep the portion of general purpose revenue needed to meet specified match requirements constant at the 1981–82 level. The 1988–89 Stabilization Program funding is proposed at \$15.3 million.

Trial Court Funding

In 1985, the Governor signed legislation which would, subject to funding being provided in subsequent

legislation, require the State to assume the cost of the trial courts.

In his signature message, the Governor expressed a desire to avoid excessive new General Fund costs and indicated that there is a need to implement significant reforms of the judicial process.

The Administration, in 1986, introduced legislation which provided for trial court funding, combined with a series of common sense reform measures designed to improve court efficiency, assure fairness and reduce unnecessary court delays. Although this legislation was not acted on by the Legislature, the following significant legislation was enacted implementing some of the reforms which were originally proposed by the Administration.

- Chapter 1335, Statutes of 1986, requires the Judicial Council to develop Standards of Timely Disposition as guidelines for the Superior Courts and establishes pilot projects designed to achieve those standards.
- Chapter 1334, Statutes of 1986, and Chapter 1336, Statutes of 1986, provided for significant reforms of the civil discovery process.
- Chapter 373, Statutes of 1986, authorized a demonstration project to assess the costs, benefits and acceptability of utilizing audio and video recording in lieu of the record prepared by a court reporter in certain civil proceedings.
- Chapter 1337, Statutes of 1986, reestablished a pilot project authorizing the use of 8-person juries for civil cases in the Los Angeles Municipal Courts.

The Administration continued to support trial court funding and late in the 1987 Legislative Session reached a compromise with the Legislature which resulted in the passage of SB 709, (Chapter 1211, Statutes of 1987). This legislation authorizes the State to fund local trial courts, beginning in the 1988–89 Fiscal Year. Specifically, the State will provide a block grant for each judicial position authorized by stat-

"The Administration, in 1986, introduced legislation which provided for trial court funding combined with a series of common sense reform measures designed to improve court efficiency, assure fairness and reduce unnecessary court delays."

ute. The State will also provide a block grant for each commissioner and referee authorized by statute, funded, and reported to the Judicial Council by January 1, 1988. In addition, the State will fund a major portion of the salaries of municipal court judges. Funding will be accomplished in the same manner as the salaries of superior court judges are currently paid, with the county paying a portion of the salary based on population, while the State pays the remainder.

Counties must decide whether to opt into the Trial Court Funding program by August 1, 1988. In return for the added funding provided to them, counties which choose to opt into the system will be required to transfer to the State court-generated revenues which they now retain. Such counties would no longer receive the \$60,000 block grant previously provided by the State to support superior court judgeships and would also forego reimbursement of trial court-related mandates. Further, those counties with cities within their borders which impose either little or no property taxes, would be required to transfer specified amounts of property tax revenue to these cities.

Most counties are expected to opt into the new program, and the net benefit to them in 1988-89 is estimated at approximately \$350 million.

In addition to creating the trial court funding program, Chapter 1211, Statutes of 1987, contained other court-related changes supported by the Administration. This legislation authorizes the creation of 109 new judgeships, consisting of 11 appellate judgeships, 64 superior court judgeships and 34 municipal court judgeships. Chapter 1211 also created a Judicial Improvement Fund to be administered by the Judicial Council. The State is authorized to provide \$20 million per year for the judicial improvement fund. These funds are to be distributed by the Judicial Council in the form of grants to local courts. These grants are intended to improve court efficiency and case processing practices as

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well as speeding up trials.

Local Assistance

State budgets have historically described expenditures as State operations, local assistance and capital outlay. Both State operations and capital outlay are clear indicators of how taxes are spent. The term "local assistance" covers a number of different kinds of expenditures. The last five budgets have attempted to categorize local assistance to provide a better description of where these expenditures occur.

State expenditures aimed at local assistance include three major categories:

- assistance to individuals
- payments to service providers
- payments to local government

Payments to local government are divided into restricted and general purpose categories.

Assistance to Individuals. This category includes grants to individuals e.g., SSI/SSP or AFDC payments. In addition, several tax relief programs which provide assistance directly to individuals, such as the renters credit program, are included, as well as indirect payments to individuals for tax relief programs such as the homeowners' exemption. Payments in this last program are made to local governments to reimburse them for the property tax loss incurred through the exemption.

Payments to Service Providers. This category includes expenditures for services provided by agencies other than the State. These payments could be to counties or to private contractors. Restricted payments to local government include expenditures which are sent directly to counties for specific programs or as reimbursements for a legislative mandate.

Payments to Local Government. This category of general purpose payments to local government includes those payments which can be used for any general government purpose.

Table 11-1 shows General Fund expenditures for these three categories for the past, current and budget years.

Local Revenue

One measure used in assessing the fiscal condition of cities and counties is the change in general purpose revenues. General purpose revenues include only those revenues which may be expended for any governmental purpose, much like the State's General Fund (see Table 11-2).

In 1987-88, the growth in general purpose revenue on a statewide basis is estimated to be 8.4 percent for cities and 9.5 percent for counties. This is higher than the 6 percent growth realized by both cities and counties in 1986-87. This growth trend is expected to moderate in 1988-89 to 7.9 percent and 8.6 percent for cities and counties, respectively. Vehicle License Fee revenues to both cities and counties will continue to be a major factor driving the increase in revenues. It should be noted that there is substantial variation among cities and counties in actual revenue growth.

Counties administer health and welfare programs for the State and, therefore, have no discretion over certain costs. In recognition of this, costs associated with these programs are offset against general purpose revenues.

State-Mandated Local Programs

Chapter 1406, Statutes of 1972 (SB 90), first established the statutory requirement for the State to reimburse units of local government for costs of any State-mandated program. Such costs may result from either legislative acts or executive regulations which impose a new program or demand an increased level of service in an existing program. The statutory reimbursement requirement was elevated to a constitutional requirement in Section 6 of Article XIII B of the California Constitution.

Legislation enacted in 1984 (Chapter 1459) created a five-member

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Commission on State Mandates to determine whether local entities are entitled to reimbursement by the State for costs which may have been incurred as a result of State-mandated local programs. The Commission replaces the Board of Control for the resolution of local mandate issues. If reimbursement is not initially provided in the mandating legislation or executive regulation, the local entities are authorized to file claims with the Commission alleging entitlement for reimbursement.

Since the inception of this reimbursement program in 1973, the Legislature has enacted 66 statutes in which a State-mandated local program was acknowledged and funded, and which will require funding in 1988-89. In addition, three executive regulations require funding in 1988-89.

Prior to the enactment of Chapter 1534, Statutes of 1985, the system of reimbursing State mandates was on an actual cost basis, requiring local entities to file detailed claim forms and to undergo subsequent field audits by the State Controller's Office. Chapter 1534 established a system of "State Mandated Apportionments" (SMA's) to provide a "block grant" approach for funding those mandates which are long-standing and relatively stable. Under this system, the Controller determines the average amount of mandate reimbursement received by each local entity over the past three years, adjusts that amount by changes in the Implicit Price Deflator and subvenes amounts to the local entities without the submission of claims by those entities. The Commission determines which mandates will be included in the system. Currently, there are 11 mandates reimbursed through the SMA.

Table 11-3 summarizes the payments made to local government for mandate reimbursement from appropriations in legislation imposing a mandate, from State Budget Acts and from Board of Control/Commission on State Mandates claims bills.

1988-89 Claims. In response to the "Carmel Valley Fire Protection

Table 11-1
Local Assistance Expenditures
State General Fund
(In Thousands)

	1986-87	1987-88	1988-89
Assistance to Individuals			
Health and Welfare			
SSI/SSP Grants	\$1,655,958	\$1,845,729	\$2,013,405
AFDC Grants	1,984,750	2,131,385	2,259,608
Special Adult Programs	2,402	2,783	3,085
Office of Statewide Health Planning	2,637	3,133	2,880
Total	\$3,645,747	\$3,983,030	\$4,278,978
Tax Relief			
Homeowners' Tax Relief	338,885	344,748	350,713
Senior Citizens Property Tax Assistance	5,314	4,836	4,800
Senior Citizens Property Tax Deferral	6,157	6,100	6,000
Senior Citizens Renters Tax Assistance	24,696	21,414	18,600
Renters' Tax Relief	472,400	480,000	490,000
Energy Conservation Credit	25	76	-
Total	\$847,477	\$857,174	\$870,113
Student Aid Commission	105,869	118,592	135,983
California Arts Council	9,976	11,000	11,930
Totals, Assistance to Individuals	\$4,609,069	\$4,969,796	\$5,297,004
Payments to Service Providers			
Health and Welfare			
Department of Aging	31,646	32,237	31,696
Department of Alcohol and Drug Abuse			
Alcohol Program	37,263	37,274	37,274
Drug Program	34,506	34,521	34,521
Department of Health Services			
Public Health Services	62,600	79,887	84,033
Medi-Cal Assistance Program	2,515,485	2,724,830	2,889,508
Department of Developmental Services	419,074	453,141	483,835
Mental Health Services	482,281	549,942	561,736
Social Service Programs	385,778	565,072	841,495
Community Care Licensing	7,185	8,785	9,394
Department of Rehabilitation	64,270	73,989	80,701
Emergency Medical Services Authority	863	1,717	2,557
Total, Payments to Service Providers	\$4,040,951	\$4,561,395	\$5,056,750

**Table 11-1—Continued
Local Assistance Expenditures
State General Fund
(In Thousands)**

	1986-87	1987-88	1988-89
Payments to Local Government			
Restricted			
Legislative/Judicial/Executive.....	\$95,030	\$139,940	\$481,794
State and Consumer Services	1,162	1,000	1,000
Business/Transportation/Hous.....			
ing.....	7,440	23,340	7,440
Resources.....	2,478	2,525	2,277
Health and Welfare			
Department of Health Services			
Public Health Services for			
Local Agencies.....	1,044,399	1,071,114	1,112,621
County Administration	58,767	91,148	76,586
Department of Social Services			
County Administration	135,489	150,879	163,524
Corrections			
Department of Corrections.....	34,658	29,860	31,210
Youth Authority	73,394	74,955	74,705
Education			
K-12 Categoricals	3,104,695	3,146,012	3,423,792
State Library Assistance.....	—	—	34,308
Contribution to Teachers'			
Retirement Fund.....	463,581	500,097	559,053
Community College Categoricals	83,323	134,954	132,281
Student Aid			
Commission—CALSOAP.....	497	497	577
School Facilities Aid	69,317	64,467	48,144
Debt Service-School Building			
Bonds	-66,224	-66,267	-49,944
Other Governmental Units	47,107	49,994	47,221
Shared Revenues—Tidelands	264	450	450
Local Streets and Roads.....	76,500	—	—
Local Mandates	127,407	131,539	137,642
Total—Restricted	\$5,359,284	\$5,546,504	\$6,284,681
General Purpose			
Education			
K-12 Apportionments	8,433,992	8,657,326	9,226,900
Community College			
Apportionments	1,137,159	1,181,953	1,267,876
Other Governmental Units			
Aid to Local Governments.....	68,323	95,869	15,300
Tax Relief			
Open Space	14,898	14,500	14,500
Substandard Housing	120	126	132
Special Supplemental			
Subventions.....	56,880	37,100	29,610
Total—General Purpose	\$9,711,372	\$9,986,874	\$10,554,318
Total, Payments to Local Gov- ernment.....	\$15,070,656	\$15,533,378	\$16,838,999
Estimated Unidentifiable Savings.....	—	-170,000	-170,000
Total, General Fund Local Assistance	\$23,720,676	\$24,894,569	\$27,022,753

District'' court case, the 1988-89 Budget provides funding to reimburse local firefighting agencies for the cost of certain firefighter safety clothing and equipment prescribed by Cal/OSHA. Although the exact amount of these costs is not known, it is estimated to be in the magnitude of \$30 million.

In addition, the Governor's Budget provides \$30.7 million for costs as identified below which are anticipated to be funded in the next Commission on State Mandates claims bill.

(In Thousands)	
Mandate Reimbursement Process	\$15,180
Title 22 (CAC) Pre-treatment Facilities	2,692
Deficiencies in Prior Mandate Appropriations	12,806
	<u>\$30,678</u>

1987 Disaster Assistance

Californians in several areas of the State have recently felt the effects of disastrous earthquakes and fires.

Table 11-2
Summary of Local Revenues
(Dollar Amounts in Millions and Expenditures per ADA in Dollars)

<i>Local Agencies</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>
Counties				
Property Taxes.....	3,598.0	3,905.0	4,244.7	4,601.3
Sales Tax.....	335.0	351.7	371.0	397.8
Vehicle License Fees.....	861.3	927.9	1,018.3	1,084.9
Other Revenues.....	1,778.8	1,802.0	1,982.0	2,156.0
Total.....	6,573.1	6,986.6	7,616.0	8,240.0
Less Mandated Health and.....				
Welfare Costs.....	(803.5)	(871.9)	(920.9)	(969.2)
Adjusted Total.....	5,769.6	6,114.7	6,695.1	7,270.8
Cities				
Property Taxes.....	1,296.1	1,406.7	1,529.1	1,657.5
Sales Tax.....	1,802.4	1,993.0	2,102.7	2,244.0
Vehicle License Fees.....	558.0	593.2	651.1	693.6
Other Revenues.....	2,656.7	2,703.0	2,973.0	3,234.0
Total.....	6,313.2	6,695.9	7,255.9	7,829.1
Special Districts				
Property Tax.....	909.0	992.1	1,029.2	1,067.7
Education				
K-12 and County Offices				
Property Tax.....	3,206.7	3,451.4	3,809.0	4,048.6
State Apportionment.....	7,701.8	8,445.0	8,684.7	9,256.2
Categorical Aid.....	2,784.1	3,117.9	3,162.6	3,477.9
Lottery.....	558.4	410.9	493.0	493.0
Total.....	14,251.0	15,425.2	16,149.3	17,275.7
ADA.....	4,357,365	4,491,725	4,614,620	4,712,957
Expenditures Per ADA.....	3,270	3,434	3,500	3,666
Community Colleges				
Property Tax.....	497.6	544.9	605.7	654.0
Fees.....	66.1	67.1	65.4	64.5
State Apportionments.....	1,092.3	1,139.0	1,184.5	1,270.4
Categorical Aid.....	101.7	83.3	170.0	165.4
Lottery.....	85.4	57.4	72.4	72.5
Total.....	1,843.1	1,891.7	2,098.0	2,226.8
ADA.....	652,040	654,070	681,764	700,054
Expenditures per ADA.....	2,827	2,892	3,077	3,181

While assistance provided by the federal government is helpful, additional State aid is necessary to prevent individuals from facing undue hardship and to ensure that local governments are able to continue providing essential services.

Funding of disaster assistance efforts is one of the reasons for maintaining a prudent reserve. Since funds were available, it was possible to provide \$91.3 million for disaster assistance programs at the special legislative session called by the Governor in November, 1987.

Specific relief programs authorized in the 1987–88 fiscal year are as follows:

Chapter 1, 1st Extraordinary Session, Statutes of 1987, provides \$15.3 million for repair of earthquake damage to higher education facilities. Of this amount, \$13.5 million is for repair of California State University and Colleges facilities and \$1.8 million is for repair of Community College facilities.

Chapter 2, 1st Extraordinary Session, Statutes of 1987, provides \$7.5 million for loans to repair owner-occupied, single family dwellings damaged in the October earthquakes in the Los Angeles area and \$10 million for assistance to earthquake victims who do not qualify for federal low-interest loans.

Chapter 3, 1st Extraordinary Session, Statutes of 1987, provides up to \$2.5 million for allocation to non-profit organizations which have incurred earthquake damage.

Chapter 4, 1st Extraordinary Session, Statutes of 1987, provides \$7.5 million for loans to repair earthquake-damaged rental housing.

Chapter 6, 1st Extraordinary Session, Statutes of 1987, provides \$2 million for property tax relief related to earthquake and fire damage. Counties are authorized to defer property taxes on damaged property until it is reassessed. The State makes up the delay in revenue from the deferred taxes and the first year loss resulting from lowered taxes on reassessed property.

“Funding of disaster assistance efforts is one of the reasons for maintaining a prudent reserve. Since funds were available, it was possible to provide \$91.3 million for disaster assistance programs at the special legislative session called by the Governor. . . .”

“Since entering office in 1983, the Governor has placed a high priority on developing and maintaining the local and State infrastructure.”

Chapter 7, 1st Extraordinary Session, Statutes of 1987, provides \$46.5 million for assistance to government agencies for the repair of earthquake damage. Of this amount, \$34.5 million will be for assistance to local agencies, generally; \$1.8 million is for repair of State facilities and \$10.2 million is for the repair of local schools.

State and Local Facility Needs

Infrastructure. The strength of the State's economy is dependent on the condition of basic facilities, equipment and installations such as roads, water supply systems, waste treatment systems and institutional facilities. Since entering office in 1983, the Governor has placed a high priority on developing and maintaining the local and State infrastructure. In April of 1983, the Governor convened a task force to examine the then current and future State and local structural needs and shortfalls. The 1988–89 Budget proposals, as well as those of the past several years, focus on the needs identified by the Task Force report.

Prudent Use of General Obligation Bonds. The continued depression in world oil prices has had a pronounced impact on one of the State's primary sources of capital outlay financing. In response to this decline in Tideland Oil Revenues and to maintain progress on crucial building programs, the State has moved toward greater use of bond financing for its capital projects. Since the latter half of 1985–86, however, the use of bonded debt to finance capital outlay projects has been restricted to a significant degree by uncertainty concerning both the scope and the implementation of the Federal Tax Reform Act of 1986. Internal borrowing of over \$1.3 billion from the Pooled Money Investment Account pursuant to the provisions of Chapter 6, Statutes of 1987, has permitted many projects appropriated from bond funds to proceed despite the uncertainty caused by federal tax reform.

At present, there are a number of bills pending in the Legislature

which would place authorizations to issue general obligation bonds before the voters. The use of debt financing is essential if efforts to meet the infrastructure needs of California are to continue. However, it is equally important that the State not over use this financing source. To do so would place too high a burden on future generations, as well as jeopardizing the State's credit rating and increasing general fund debt service requirements to unacceptable levels.

The following general obligation bonds are necessary to continue programs that are currently underway or anticipated by the Governor's Budget: local school construction (\$1.6 billion), construction of facilities for higher education (\$700 million), provision of clean water (\$200 million), provision of safe drinking water (\$200 million), cleanup of toxic substances (\$200 million), construction of transportation facilities (\$1 billion). Additional measures, as necessary, will be developed through the legislative process.

1988-89 Plans

Efforts to meet the State's public facility needs will continue in 1988-89. Table 11-4 summarizes the total program, including projected expenditure levels for the next five years. Highlights of the program are as follows:

- The ongoing six-year State Facilities Program, totaling nearly \$37 billion, will continue to include expenditures for the traditional projects such as highways, the State Water Project and State institutions. Program funding will also include substantial expenditures for local school construction, statewide underground storage tank remediation, asbestos abatement and PCB-related equipment replacement.
- The program to construct cogeneration equipment and other energy conservation measures at State facilities financed through the sale of revenue bonds also will be continued. The revenue source for the bonds' debt ser-

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vice is the energy cost savings expected to be generated over the term of the bonds.

- The remodeling and construction of county jails and juvenile halls will be continued through the allocation of \$174 million from bond proceeds approved by the voters.
- State prison system expansion currently includes authorizations for additions and remodeling at existing institutions, expansion of the conservation camp program and construction of 16 new prison facilities, to provide a total system design bed capacity of nearly 57,000. However, the need for additional facilities will continue to exceed those currently authorized. By mid-1992, the projected inmate population is expected to reach 100,000.
- A total of \$10 million from Federal Outer Continental Shelf Lands Act Revenues is proposed to be directed toward a Rural Renaissance program for expenditures on capital projects which will promote the business environment of rural counties.
- The Governor's Budget proposes High Technology Educational Facility bond financing of \$61.5 million for the University of California.

Petroleum Violation Escrow Account Program

The Petroleum Violation Escrow Account (PVEA) is derived from negotiated settlements and judgments against U.S. oil companies stemming from legal actions by the federal government to recover oil company overcharges during the period of price regulations, from August 1973 to January 1981. Monies collected and not yet disbursed are held in a Federal Department of Energy (DOE) escrow account. Disbursement of these funds to the states is generally determined by the DOE's Office of Hearings and Appeals, but may be specified by the court in each case. One allocation, made in the 1983 Federal Budget, was the result of Congressional action.

During 1987-88, \$17.3 million in PVEA funds from the Exxon and Stripper Well settlements was appropriated to various State agencies. Approximately \$147 million in PVEA funds is expected to be available for expenditure in 1988-89. This amount includes interest and a potential supplemental allocation of

*“ . . . \$147 million in
(Petroleum Violation
Escrow Account)
funds is expected to be
available
for . . . eight
programs . . . for the
budget year.”*

\$12 million from the Stripper Well Settlement Agreement.

The Governor's Budget proposes eight programs to be funded from PVEA for the budget year. Table 11-5 identifies the designated PVEA program administrator, specific projects and funding level proposed in 1988-89.

Table 11-3
Summary of Payments to Local Government
for State Mandates
(In Thousands)

<i>Fiscal Year</i>	<i>Mandate Legislation</i>	<i>Budget Acts</i>	<i>Claims Bills</i>	<i>Totals</i>
1973-74	\$3,538	-	-	\$3,538
1974-75	2,655	\$14,943	-	17,598
1975-76	1,376	17,963	-	19,339
1976-77	20,226	18,356	\$523	39,105
1977-78	4,007	52,623	-	56,630
1978-79	21,443	54,434	1,203	77,080
1979-80	12,013	75,565	12,202	99,780
1980-81	9,947	105,377	7,572	122,896
1981-82	-	101,942	33,980	135,922
1982-83	610	92,886	24,183	117,679
1983-84	10,000	74,671	22,208	106,879
1984-85	4,937	76,070	1,366	82,373
1985-86	44,741	109,842	6,884	161,467
1986-87	75	144,525	5,928	150,528
1987-88	-	87,754	48,700	136,454
1988-89	-	107,812*	30,678*	138,490
TOTALS	\$135,568	\$1,134,763	\$195,427	\$1,465,758

* Estimated

Table 11-4
Program For Building California
(In Millions)
(Budgeted Basis)

STATE FACILITIES PROGRAM	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	TOTAL
Highways.....	\$1,491	\$1,644	\$1,490	\$1,920	\$1,480	\$1,600	\$9,625
Water Project.....	446	491	323	349	364	377	2,350
Higher Education.....	298	300	250	350	350	400	1,948
State Hospitals.....	45	62	49	36	14	3	209
CDC and CYA Facilities ¹	461	88	412	342	336	344	1,983
Parks and Recreation	38	21	21	6	6	6	98
State Facilities Energy Conser- vation	1	46	36	46	51	51	231
Maintenance of State Facilities ²	1,000	1,061	1,117	1,176	1,235	1,293	6,882
Other.....	38	37	42	118	86	50	371
Total—State Facilities Pro- gram.....	\$3,818	\$3,750	\$3,740	\$4,343	\$3,922	\$4,124	\$23,697
ASSISTANCE TO OTHER ENTITIES							
Toxics Cleanup (funded through State Operations) ..	\$24	\$27	\$25	\$16	\$21	\$20	\$133
K-12 Construction	651	1,037	600	550	550	550	3,938
K-12 Maintenance	64	48	45	40	40	40	277
Community Colleges Maintenance ³	23	30	30	30	25	25	163
Streets and Roads							
—Local Assistance	275	306	306	306	306	306	1,805
—Shared Revenues.....	595	610	610	610	610	610	3,645
Mass Transportation	99	79	69	69	69	69	454
Airports	5	6	6	6	6	6	35
Flood Control.....	16	13	20	25	25	25	124
Safe Drinking Water Project	41	68	46	46	46	46	293
Water Conservation, Capital Costs	49	33	—	—	—	—	82
Waste Water Treatment.....	80	84	84	84	84	84	500
Local Jails and Juvenile Facili- ties	188	174	175	85	63	—	685
Parks and Recreation	132	15	49	42	42	42	322
Beach and Soil Erosion Con- trol.....	3	—	—	—	—	—	3
Rural Renaissance	20	10	—	—	—	—	30
Total—Assistance to Other Entities	\$2,265	\$2,540	\$2,065	\$1,909	\$1,887	\$1,823	\$12,489
Superconducting Super Col- lider	—	—	—	—	—	—	560
Total—Program for Building California	\$6,083	\$6,290	\$5,805	\$6,252	\$5,809	\$5,947	\$36,746

¹ Year-of-appropriation for CDC and CYA facilities represents a proration of Master Plan totals for 1988-89 and later, not specific year-by-year programming.

² State facility hazardous material abatement costs are included within facilities maintenance and total approximately \$45 million in the budget year.

³ Capital outlay is included with Higher Education, shown above.

Table 11-5
PETROLEUM VIOLATION ESCROW ACCOUNT PROGRAM
INFORMATION DISPLAY
(In Millions)

<i>PVEA PROGRAM ADMINISTRATOR</i>	<i>PROJECT</i>	<i>1988-89 \$ AMOUNT</i>
California Energy Commission.....	<p><i>School Bus Demonstration Project</i> This project will provide funds to purchase approximately 1,300 safe, fuel efficient buses, which represents 20 percent of local education agency-owned pre-1977 buses. The Energy Commission will function as the administrative and fiscal agent for the funds, in consultation with the Department of Education, while the California Highway Patrol will establish priorities and standards for the purchase of buses based on the results of an engineering study.</p>	\$100
	<p><i>Operations & Maintenance for Energy Efficiency Improvements and Energy System Modifications at State-Supported College and University Facilities</i> This project is designed to improve energy efficiency at State-supported colleges and universities. It involves: (1) data collection; (2) establishment of operations and maintenance standards; (3) staff training; (4) on-going energy equipment maintenance, and (5) conservation projects targeted at heating, ventilation, air conditioning and lighting equipment.</p>	6
	<p><i>Institutional Conservation Program (Schools and Hospitals Grants Program)</i> These grant funds will provide up to 50 percent matching grants for technical assistance studies and the installation of energy efficiency measures in public and non-profit private schools and hospitals.</p>	4.5
	<p><i>Alternative Fuels Demonstration Project</i> This project will provide funding for a demonstration and evaluation program with engine/vehicle manufacturers, vehicle users, and fuel suppliers to enhance the market introduction of alternative fuels such as compressed natural gas, electric vehicles, and optimum methanol engine technology.</p>	5.9
Department of Economic Opportunity	<p><i>Low-Income Home Energy Assistance Program (LIHEAP)</i> The Stripper Well Settlement Agreement provides that states consider low-income populations in the proposed expenditure of these funds. This project will provide restitution through the various program elements which assist the low-income population to reduce the impact of energy costs for home heating and cooling, and thereby will fulfill California's commitment under the settlement agreement.</p>	10
Department of Transportation	<p><i>Transit Capital Improvement Projects</i> These projects will provide \$15.4 million for Transit Capital Improvement (TCI) and intercity rail improvement projects. Of this amount, \$5.4 million will be for TCI projects selected for funding by the California Transportation Commission, which include improvements to light rail systems, transit stations, etc. In addition, \$10 million will be for intercity rail projects administered under the California Department of Transportation's capital outlay program and include track and station improvements to intercity passenger rail routes.</p>	15.4
	<p><i>Traffic Management Technologies</i> This project will provide funds for the Smart Corridor Demonstration Project in Southern California. New electronic technologies will be used to operate multiple roadways as a single transportation corridor to balance traffic flow, and thereby maximize traffic capacity.</p>	4.5
	<p><i>Local Transportation Systems Management</i> This project will fund the initiation of Transportation Management Associations (TMAs) in major urban areas of the State. TMAs are public/private ventures through which employers located in the same area jointly develop commute options for their employees, with the goal of reducing traffic congestion, air pollution and fuel consumption.</p>	1
TOTAL.....		\$147.3



Information Technology

The State of California is a mature, highly successful user of information technology. In fact, with more than 5,000 employees engaged in activities directly related to computers and telecommunications, California is one of the largest governmental users of information technology in the world.

The State's commitment to automation as an essential tool for controlling the size and cost of government has been supported by growth in funding over the past five years. In keeping with this trend, the Governor's Budget for 1988-89 includes more than \$102 million in new funding for information technology. This increase brings California's projected annual expenditure for information technology to \$800 million and continues its emphasis on sound and responsible information management practices.

A Wide Variety of Applications

Uses of information technology in California State Government span the entire spectrum of possible applications, from personal computers for basic word processing and spreadsheet analysis to departmental applications and statistical analysis to the most demanding of on-line data base applications housed at the State's data centers. Computers are being used by State agencies to design highways, map State lands and resources, identify criminals, dispatch firefighting equipment to forest and grassland fires, screen newborn infants for genetic disorders, and share information about

"This increase brings California's projected annual expenditure for information technology to \$800 million and continues its emphasis on sound and responsible information management practices."

job openings throughout the State. Through integrated office systems and telecommunications networks, agencies are establishing new opportunities for effective communication, better management control and improved service to the citizens of California.

Among the major continuing projects funded in the 1988-89 Governor's Budget are the Automated Fingerprint Identification System in the Department of Justice, Computer-Assisted Design and Drafting in the Department of Transportation, Physical and Health-Related Fitness Assessment in the Department of Education and the Permanent Disability Rating System in the Department of Industrial Relations.

Statewide Developments

Although primary responsibility for the application of new information technology projects resides at the department level, there have also been significant accomplishments at the State level under this Administration which advance the use of information technology. New policies to encourage the productive use of computers and telecommunications within a framework of sound management practices have been developed, and a new series of guideline publications assist State departments in the management of information and use of information technology.

Statewide strategic planning for information technology is underway, with key state-level issues being addressed; and departments have in-

creased their emphasis on planning to improve the management of their information resources.

The Health and Welfare Agency and Teale Data Centers, in conjunction with the Office of Information Technology, have entered into a mutual aid agreement that provides for the efficient recovery of the State's critical automated applications and the restoration of computing operations in the event of a disaster. The plan includes provisions for the sharing of surviving resources and facilities and the switching of data communications between centers.

Finally, the State's telecommunications network is being modernized and enhanced to lower the cost of transporting voice, data and video information throughout California.

Together, these and other State-level developments are creating a new information management infrastructure for California—an environment that fosters the successful use of information technology and encourages departments to propose cost-effective computer applications to improve their operations and services.

Budget Highlights

Significant new projects in the 1988–89 Governor's Budget include:

Literacy Pilot Program—Department of the Youth Authority. The 1988–89 Governor's Budget provides \$60,000 for establishing a pilot computer-assisted literacy program at the Youth Training School in Chino. Community literacy programs have demonstrated that at least a sixth grade reading level is essential for survival in the community and the world of work. Data reveal that 40 to 45 percent of the Youth Authority wards are reading below the sixth grade level, with approximately ten percent below the third grade level. Tests conducted in high schools in California and other states indicate that individuals with reading and writing skills at the fifth grade level or below can achieve a three-grade-level improvement after one semester in the Principle of Alphabet Literacy System program.

*“... these and other
State-level
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infrastructure for
California. ...”*

The pilot will consist of personal computers, video disc players, and supporting software to provide instruction in reading to 16 students per hour.

Statewide Property Inventory System—Department of General Services. Funding in the amount of \$407,000 is included in the 1988–89 Governor's Budget to begin implementation of an automated Statewide Property Inventory System. The project will enable the Department to comply with the legislative requirements of Chapter 906, Statutes of 1986, and Chapter 444, Statutes of 1986. The Office of Real Estate and Design Services will use the system to maintain a complete and accurate statewide inventory, by agency and geographical location, of all real property held by the State. In addition, it will implement a statewide property management demonstration project to develop a more efficient means of managing State property. Funding for the project will be used to design and implement the system, which is expected to result in benefits of \$2.7 million.

Computer-Aided Dispatch Systems for County Callboxes—California Highway Patrol. The 1988–89 Governor's Budget contains \$1.2 million to establish computer-aided dispatch centers in several counties throughout the State. Certain counties are installing emergency freeway call-boxes. The California Highway Patrol must be prepared to respond to the calls and provide assistance to motorists. This project will enable the Department to efficiently handle a growing number of calls and dispatch a CHP vehicle to the scene of a highway emergency more quickly. Also, it may lead to the implementation of a statewide call-box system.

Job Services Automation—Employment Development Department. Funding in the amount of \$1.5 million is included in the 1988–89 Governor's Budget for development and operation of the second phase of the Job Services Automation project, which will allow Job Services Offices statewide to

match 90,000 job orders and 3.2 million job applicants. This system will provide greater job opportunities to job seekers in economically depressed areas; increase the number of job seekers placed in jobs; increase the placement of Unemployment Insurance claimants; assist employers in obtaining qualified workers; and serve more job seekers and employers with existing staff.

Workers' Compensation Appeals Board Office Automation—Department of Industrial Relations.

The 22 Workers' Compensation Appeals Board (WCAB) district offices function as courts of limited jurisdiction dedicated to the resolution of disputes regarding workers' compensation claims. The WCAB must issue a decision on an adjudicated workers' compensation claim before the injured worker may receive benefits. The Board handles 200,000 new claims and 200,000 reactivated claims each year and projections indicate that the total number of claims processed annually by the Board will increase. This project will automate office functions with personal computers, printers, and word processing and spreadsheet software for each of the district office clerical supervisors and secretaries. Office automation will help the Department meet its legislatively mandated time frames for issuing decisions. Funding in the amount of \$1.3 million is proposed for this project.

Data Base Redevelopment Project—Department of Motor Vehicles.

The 1988–89 Governor's Budget provides \$1.5 million to begin pilot implementation of a redesign of the data base architecture and processing methodology of the Driver License and Vehicle Registration data bases. Constraints imposed by the current data base and application software architecture pose a serious risk that the Department will be unable to respond in a timely manner to major program changes. The Department must redesign its data base in order to improve services to California's motor-

*"This system will
provide greater job
opportunities to job
seekers . . . increase the
number of job seekers
placed in jobs . . .
(and) assist employers
in obtaining qualified
workers. . . ."*

ing public and to effectively respond to new legislation, federal mandates and Administration goals. This project will consist of developing and building a prototype data base and conducting the prototype modeling.

Leave Accounting System—State Controller's Office.

Leave accounting is the process of maintaining records of leave usage, accrual of benefits and current balances. Approximately 65 percent of the State's agencies and campuses are operating a manual leave accounting system. The remainder have developed individual automated leave accounting systems. The Controller's Office will develop a statewide centralized leave accounting system to provide a streamlined approach to leave accounting practices. This system will minimize duplication of data processing development and system maintenance; eliminate inconsistent application of collective bargaining contract agreements, laws, and rules; provide management information for statewide budgetary and policy decisions; and eliminate labor-intensive manual leave accounting procedures. Funding in the amount of \$476,000 for this project is included in the California Automated Personnel/Payroll System (CAPPS).

Revenue Collection System—Department of Motor Vehicles.

The Department of Motor Vehicles collects a variety of fees as part of the vehicle registration process for the approximately 24.6 million vehicles which need to be registered annually. The Department estimates that one million vehicles are operated with expired registrations. The new Revenue Collection System will assist the Department in notification and collection activities by identifying specific vehicle records, establishing a collection file, generating collection notices and initiating collection activities. Funding in the amount of \$3 million is included in the 1988–89 Governor's Budget for the system, which is expected to result in more than \$25 million in increased revenue.

Employee Compensation

The Governor's salary and benefits policy is to compensate employees in relation to their performance. The ability to encourage productivity and creativity through the compensation program is the key to building efficient State government and, as a consequence, effective delivery of services to the public. Since coming into office, the Governor has increased State employee salaries by approximately 32 percent, including equity adjustments in certain classifications. The salary and benefit increases have resulted in salaries for State employees which are competitive with salaries for similar employment outside of State service.

In addition, significant improvements to benefits for employees have been adopted. These improvements include:

- Enhanced dental benefits.
- Provision of a vision care benefit.
- Recognition of Martin Luther King Day.
- Adoption of a two-tier retirement structure providing employees with an optional retirement plan.
- Enhanced retirement benefits for peace officers and firefighters and added retirement program security for all employees in full compliance with federal legislation.
- For most non-represented employees, commencing January 1, 1988, an optional flexible benefits program to allow tailoring of benefits, within a fixed dollar allot-

"The ability to encourage productivity and creativity through the compensation program is the key to building efficient State government and . . . effective delivery of services to the public."

ment, to meet individual and family needs.

- Also commencing January 1, 1988, non-represented employees will have available an optional long-term disability program to supplement disability retirement benefits.

In total, this Administration's efforts to retain and reward productive employees for their services have been demonstrated by providing competitive salary increases and creative benefit additions and options.

Higher education salary programs for faculty and nonfaculty employees are based on similar objectives. Additional information on these programs is contained in the Education section of this Budget Summary.

Collective Bargaining

The Governor's ability to provide compensation programs that foster recruitment and retention of an efficient State work force is realized through the collective bargaining process.

As a practical matter, most conditions of employment are subject to collective bargaining and must be addressed in a Memorandum of Understanding (MOU). Issues negotiated under the Ralph C. Dills Act (formerly the State Employer-Employee Relations Act) include:

- Salaries, allowances and payments for work-related expenses.
- Holidays, vacation, sick leave, leave of absence and training.

- Health insurance, life insurance, disability benefits and rehabilitation services.
- Employee performance reviews and other conditions of employment.

Excluded from collective bargaining under the Act are the basic functions of the employer, including merit employment principles and the necessity or organization of any service or activity provided by law.

Compensation Program

So far in 1987-88, the Administration and 17 of the 20 bargaining units have negotiated one-year economic agreements which generally provide for a 3.75 to 4 percent general compensation increase commencing January 1, 1988, plus benefit increases and special salary adjust-

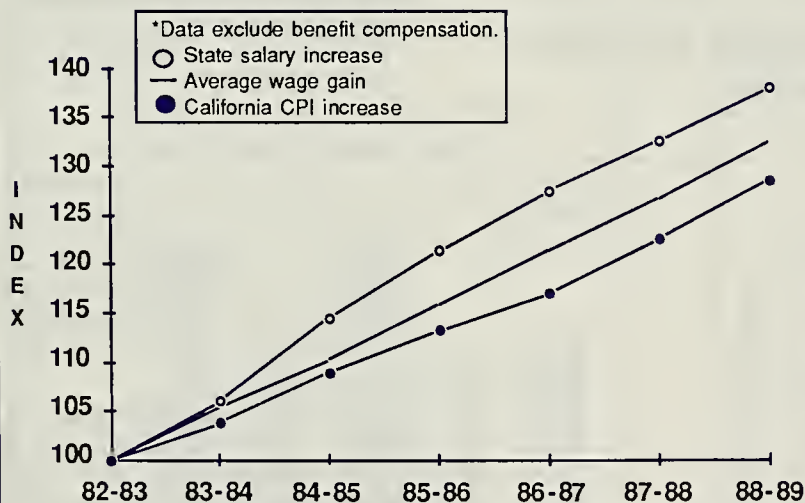
***"The Governor's
Budget proposes a
general compensation
increase of up to four
percent commencing
January 1, 1989."***

ments. These MOUs have built upon the significant compensation improvements offered by this Administration since 1982-83 and have greatly strengthened the economic position of State employees both with respect to past pay inequities and inflationary trends, as illustrated by Figure 12-1.

The Governor's Budget proposes a general compensation increase of up to 4 percent commencing January 1, 1989, with that increase supplemented by an additional \$75 million from all fund sources for benefit and other compensation adjustments as may be agreed upon.

The 1988-89 Budget also includes health and dental benefit funding for the State's contributions for its retired annuitants at the levels estimated necessary to maintain contractual coverage agreements.

**Figure 12 - 1
Employee Compensation:
Cumulative Change Since 1982-83**





Economic Outlook

National Forecast

The nation's economy continued on a course of moderate growth in 1987. Passing the five-year mark in November, the upturn is now the longest peacetime expansion in history and prospects remain good for the forecast period.

There are three critical elements in the outlook at the present time: consumer confidence, which appears to have remained positive despite the October decline in stock prices; the net export situation; and trends in interest rates. Developments suggest that recent improvement in each of these areas is likely to continue through the forecast period.

Review of 1987. Reviewing developments in 1987, real GNP growth of 2.6 percent was in line with the economy's long-term trend. The jobless rate fell to less than 6 percent, an eight year low, and although there was some pickup in inflation, the rise in consumer prices averaged less than 4 percent—still quite subdued by recent standards.

Among major sectors of the economy, growth in consumer spending slowed to about 2 percent in real terms, less than half the 1986 pace. Given the historically high household debt burden, this leveling off of consumer buying can be viewed as a positive development. Last year's 1.9 percent growth in government purchases was down from 3.8 percent in 1986.

Business investment demonstrated renewed strength however, with a pronounced upturn in spending for business equipment. The greatest

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improvement in real terms occurred in the net export balance. U.S. exports rose strongly during the year, reflecting the better competitive position of American producers in light of the lower value of the dollar in international markets. Imports, meanwhile, rose less than in prior years. As a result, the foreign trade deficit in real terms was considerably better than in 1986.

Stock Market Effect. The initial impact of the sharp drop in stock prices appeared to have been tempered by the end of the year. Various studies suggest that the wealth effect—primarily paper losses—has been minimal. In fact, the lowering of share prices to more realistic levels removes an element of speculative excess from the financial scene. Furthermore, the recovery of the bond market is a positive development. Direct effects on the financial industry are expected to be felt mainly in the eastern financial centers.

The easing of interest rates from mid-October reflects policymakers' commitment to maintaining economic activity on an even keel. This represents a reorientation of monetary policy which previously had been designed to head off inflation and support the dollar in international markets.

Outlook Remains Favorable. The forecast projects a continuation of the trends noted in 1987—slow growth in consumer spending, some strengthening of business fixed investment and further improvement in real net exports.

Underlying this outlook is the assumption that monetary policy will remain mildly accommodative, emphasizing the need to maintain growth while tolerating some further reduction in the dollar's exchange value.

Interest rates should fluctuate within a rather narrow range, with the banks' prime rate rising slowly to 9.3 percent by the end of 1989. Long-term government bonds are expected to average around 9 percent and fixed rate residential mortgages are seen moving in the 10 to 10.5 percent range.

Fiscal policy is assumed to inch toward the goal of reducing the federal budget deficit. Real nondefense purchases continue to decline and the growth of defense outlays should soften to around one percent annually in 1988 and 1989.

Consumers remain the most important aspect of the outlook, as household spending accounts for two-thirds of total GNP. Income and employment gains will ease somewhat, reflecting the continued low rate of inflation and the generally moderate pace of economic activity. In addition, consumer spending may be dampened to some degree by the high level of household debt.

The debt burden is likely to affect spending on new cars and other

***"While imports
continue to rise,
export growth has
been even greater."***

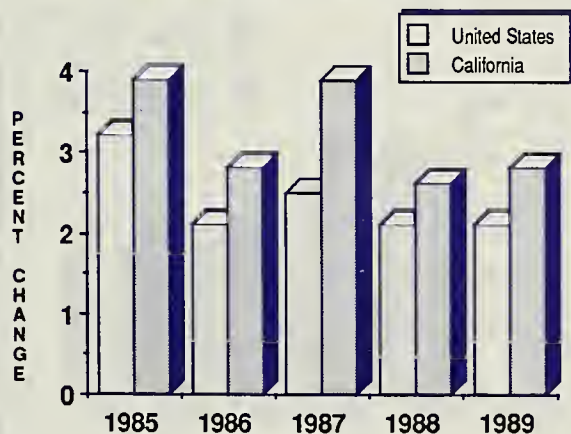
"big ticket" items. New car sales are seen falling to 9.6 million units in 1988 from 10.2 million last year. It is expected that auto makers will offer fewer incentives than in recent years. Overall, real consumer outlays advance 1.3 percent this year and about 2 percent in 1989.

Growth in business investment will emphasize equipment rather than structures during the next two years. Increased exports, among other factors, have led to a pickup in manufacturing activity. The resulting rise in capacity utilization has stimulated equipment purchases for replacement and expansion needs. Spending on structures, in contrast, will be dampened by surplus office space in many markets.

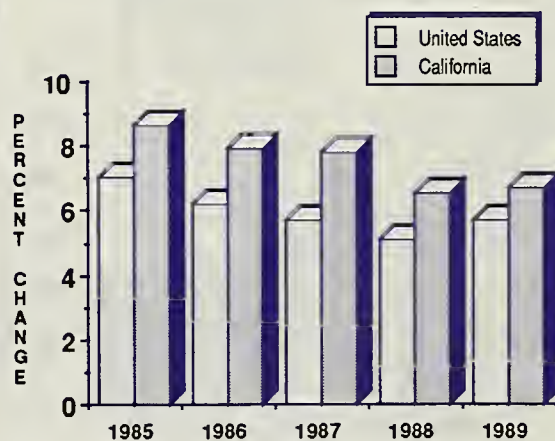
Net exports will again be extremely important in the outlook. The monthly trade figures remain a matter of concern. However, in real terms, the net export gap has been improving for well over a year. While imports continue to rise, export growth has been even greater.

Exports should continue to improve with the dollar still on a downtrend and overseas markets relatively strong. Imports are closely tied to consumer demand. Over time, increases in import prices will cut the demand for goods from overseas. Price is only one factor, however, in the demand for imports. The net ex-

**Figure 13 - 1
Growth in Nonagricultural Wage
and Salary Employment**



**Figure 13 - 2
Growth in Personal Income**



port forecast is therefore likely to undergo substantial revision in the months ahead.

Overall, real GNP growth is forecast at slightly more than 2 percent this year and next. Employment gains are expected to average about 2 percent annually, as compared with 2.5 percent in 1987.

Manufacturing should continue the upward trend established last year. Construction employment is fractionally lower this year reflecting easing in nonresidential activity. Growth in the finance group, which has been particularly strong over the last three years, is expected to slow reflecting the recent trend toward streamlining and consolidation. Service and trade jobs will continue to expand at recent rates of 4 percent and 2 percent, respectively.

The reduced pace of employment gains in combination with labor force growth of approximately 2 percent makes any further reductions in unemployment unlikely. The jobless rate is expected to remain at approximately 6 percent.

Outlook for Prices. Inflation is likely to be contained, with consumer prices rising about 4 percent this year and 4.4 percent in 1989. The easing of labor market pressures, as evidenced by the slightly higher jobless rate, would argue

“California continues to outperform the nation by a comfortable margin.”

against a sharp escalation of wages.

Suggestions that trends in the dollar will add significantly to price pressures overstate the situation. For one thing, a substantial volume of imports are now from countries whose currencies have not strengthened against the dollar.

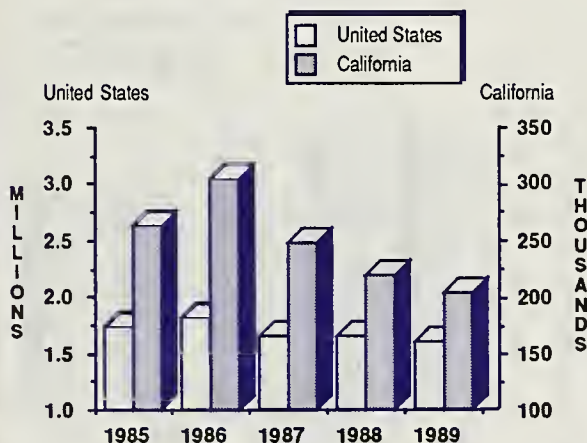
Housing-related items such as rent and homeowners' costs, which account for about half the consumer price market basket, are determined by local factors. In addition, it appears likely that energy costs will remain moderate over the next year or two. The forecast assumes that oil prices average between \$17 and \$19 per barrel for the coming year.

California Forecast

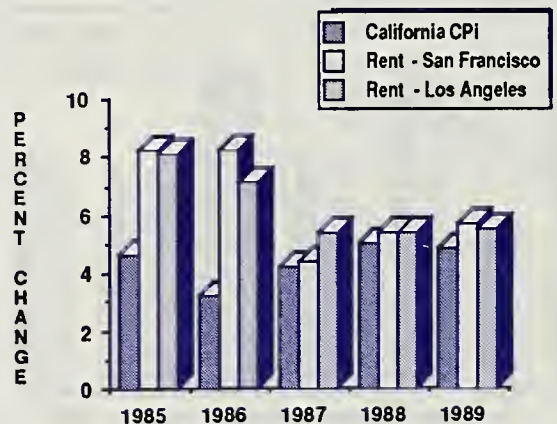
California continues to outperform the nation by a comfortable margin. Last year, employment growth of just under 4 percent was well above the national increase of 2.5 percent as measured by nonagricultural payrolls.

California personal income grew almost 8 percent, considerably above the 5.7 percent advance for the U.S. as a whole. The jobless rate, while showing typical month-to-month volatility, reached an 18-year low of 5.3 percent in November, and for the year averaged nearly half a percentage point less than the U.S., at 5.8

**Figure 13 - 3
New Housing Units**



**Figure 13 - 4
Measures of Inflation**



percent as opposed to 6.2 percent.

Of particular note was the improvement in manufacturing employment, which had been quite weak in 1986 and early 1987. Gains were registered in food processing—a result of large harvests—but also in the high technology aerospace and electronics industries.

Farm incomes continued to strengthen, posting an estimated 11 percent gain in 1987 following an 18 percent jump the previous year. In many instances, large crops have failed to depress prices significantly.

Leading the Way. During the next two years, California is again expected to outperform the nation. The margin, however, may be somewhat less than in 1987. On the positive side, the weaker dollar will benefit several major sectors, including agriculture, tourism and manufacturing.

In the farm sector, markets for California speciality crops should remain buoyant, both at home and overseas, pointing to further solid gains in farm incomes.

The firming of business equipment outlays, as well as dollar exchange rate trends, should benefit the electronics industries. Other manufacturing, including chemicals, paper and wood products, should also see

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the weaker dollar will
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sectors, including
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improved markets in the months ahead.

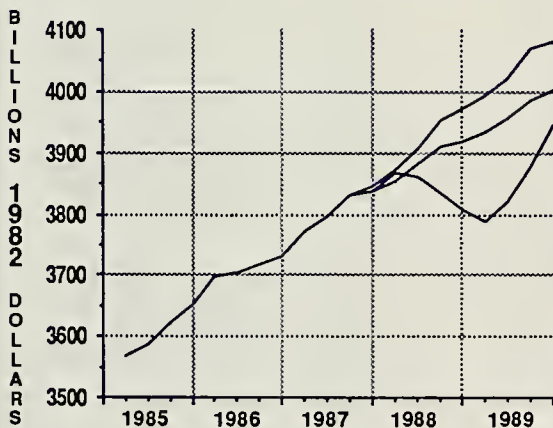
Reduced growth in the defense budget will result in a leveling of aircraft and other defense-related employment by late this year. This will be more than offset, however, by the strengthening in the electronics group, and total aerospace employment will continue to rise.

Following the national trend, finance sector growth is expected to slow. Given the outlook for consumer spending, gains in wholesale and retail trade will also be held in check.

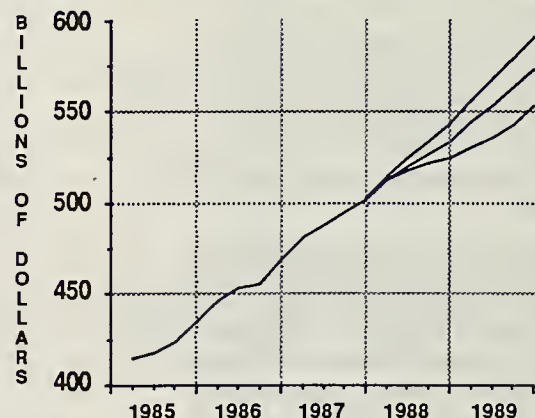
California's homebuilding industry has enjoyed three consecutive years of robust activity, with permit volume of over 260,000 in 1985, a record 300,000 in 1986 and nearly 250,000 units last year. During this period, California's share of the nation's housing production has averaged more than 15 percent, well above the historical norm. The building boom has done much to relieve tight housing markets evident in the late '70s and early '80s.

Homebuilding is expected to decline slightly this year and next, although activity will remain strong at more than 200,000 units. Multiple family construction is expected to bear most of the drop, reflecting the 1985 tax law changes and rising

**Figure 13 - 5
Alternate Forecasts of Real GNP**



**Figure 13 - 6
Alternate Forecasts
of California Personal Income**



rental vacancy rates in some areas.

Consumer price increases in California are expected to be somewhat higher than the national average, up 5 percent this year and nearly as much in 1989. The major element in this forecast is higher homeowners' costs, especially in Los Angeles where house prices increased noticeably in 1987.

To sum up, the standard forecast projects moderate growth for California, with nonagricultural payroll employment gains in the 2.5 to 3 percent range this year and next. Personal income is expected to average slightly more than 6.5 percent growth each year, and the jobless rate may reach the 6 percent mark in 1989. By each of these measures, California will continue to outpace the national performance over the forecast horizon.

Alternative Forecasts

Alternative forecasts have been prepared to reflect the uncertainties in the current economic situation. Briefly, the low alternative considers the possibility that a loss of confidence will lead to a retrenchment of consumer spending and business investment. In addition, a sharp drop in the dollar leads to rising interest rates.

Under these conditions, a recession develops by the second quarter of this year, continuing through early 1989. The peak to trough drop in real GNP is 2 percent, but annual average figures show marginal increases of 0.9 percent this year and 0.4 percent in 1989. Personal income growth averages less than 4 percent over the two years, employment is virtually unchanged in 1989 and the jobless rate exceeds 8 percent by early next year. Consumer price increases fall below 2 percent in 1989.

California suffers somewhat less, but personal income gains are cut to 5.6 percent this year and a little more than 4 percent in 1989. Employment growth is near 1.5 percent this year and only 0.5 percent next. The jobless rate climbs to near 8 percent in 1989, and inflation falls in

line with the national forecast.

The higher alternative assumes that recent developments, including lower interest rates and a weaker dollar, lead to a renewed spurt of economic growth this year and next. Tighter labor markets lead to larger wage increases and commodity prices are up sharply. As a result, consumer prices jump nearly 6 percent in 1989.

Real GNP growth is 3 percent both years. Payroll employment expands 2.5 percent this year and almost 3 percent in 1989. The jobless rate approaches 5.5 percent next year. Personal income grows more than 6 percent this year and exceeds 7 percent in 1989.

California's performance is even stronger. Employment gains amount to 3.4 percent this year and approach 4 percent in 1989. The jobless rate averages 5.5 percent next year. Housing remains near 250,000 units throughout the forecast period. Income growth is 7.6 percent this year, rising to 8.4 percent in 1989.

***"California will
continue to outpace
the national
performance over the
forecast horizon."***

Table 13-1
Selected Economic Data, 1987 to 1989
(Dollar Amounts in Billions)

		1988		1989	
	1987 (Estimated)	Amount	Percent Change	Amount	Percent Change
STANDARD FORECAST					
UNITED STATES					
Real gross national product (1982\$)	\$3,809.0	\$3,980.1	2.1	\$3,969.9	2.1
Personal consumption expenditures	2,495.6	2,527.7	1.3	2,579.7	2.1
Gross private domestic investment.....	675.3	670.3	-0.7	676.5	0.9
Net exports.....	-131.2	-89.3	-	-79.9	-
Government purchases of goods and services	769.2	781.4	1.6	793.6	1.6
GNP Deflator (1982 = 100)	117.6	121.4	3.2	125.6	3.5
GNP (current \$)	\$4,479.7	\$4,722.6	5.4	\$4,988.5	5.6
Personal income.....	\$3,734.7	\$3,924.8	5.1	\$4,149.5	5.7
Corporate profits before taxes	\$270.1	\$253.6	-6.1	\$265.8	4.8
Wage and salary employment (thous.)	102,080	104,200	2.1	106,380	2.1
Unemployment rate (%)	6.2	6.3	-	6.4	-
Housing starts (mill.)	1.66	1.65	-0.4	1.60	-3.0
New car sales (mill.).....	10.2	9.6	-5.2	10.0	3.4
Consumer price index (1967 = 100).....	340.7	354.8	4.1	370.5	4.4
CALIFORNIA					
Civilian labor force (thous.)	13,759	14,032	2.0	14,286	1.8
Civilian employment.....	12,967	13,221	2.0	13,411	1.4
Unemployment.....	792	811	2.5	875	7.8
Unemployment rate (%)	5.8	5.8	-	6.1	-
Wage and salary employment (thous.)	11,718	12,027	2.6	12,362	2.8
Personal income.....	\$491.6	\$523.5	6.5	\$558.6	6.7
Housing units authorized (thous.).....	248	220	-11.4	203	-8.0
Corporate profits before taxes	\$48.1	\$51.5	7.0	\$54.9	6.6
New auto registrations (thous.).....	1,374	1,211	-12.0	1,298	7.2
Total taxable sales	\$231.6	\$244.8	5.7	\$259.4	6.0
Consumer price index (1967 = 100).....	353.2	370.9	5.0	388.7	4.8
LOW ALTERNATIVE					
UNITED STATES					
Real GNP.....	\$3,808.8	\$3,841.8	0.9	\$3,857.4	0.4
Personal income.....	3,735.1	3,892.2	4.2	4,032.3	3.6
Corporate profits.....	269.8	227.3	-15.8	217.3	-4.4
Wage and salary employment (thous.)	102,080	103,580	1.5	103,760	0.2
Unemployment rate (%)	6.2	6.8	-	7.8	-
Housing starts (mill.)	1.65	1.49	-9.7	1.40	-6.2
New car sales (mill.).....	10.2	9.0	-11.6	8.7	-3.6
CALIFORNIA					
Nonagricultural employment (thous.).....	11,697	11,940	2.1	12,002	0.5
Unemployment rate (%)	5.7	6.1	-	7.5	-
Total personal income.....	\$491.7	\$519.3	5.6	\$540.9	4.2
Housing units (thous.)	248	208	-16.2	188	-10.0
HIGH ALTERNATIVE					
UNITED STATES					
Real GNP.....	\$3,810.5	\$3,925.4	3.0	\$4,042.1	3.0
Personal income.....	3,735.7	3,966.5	6.2	4,256.7	7.3
Corporate profits.....	271.2	299.4	10.4	337.7	12.8
Wage and salary employment (thous.)	102,090	104,640	2.5	107,660	2.9
Unemployment rate (%)	6.2	6.1	-	5.7	-
Housing starts (mill.)	1.66	1.74	4.9	1.80	3.7
New car sales (mill.).....	10.2	10.3	1.7	10.5	1.4
CALIFORNIA					
Nonagricultural employment (thous.).....	11,719	12,112	3.4	12,566	3.8
Unemployment rate (%)	5.8	5.7	-	5.5	-
Total personal income.....	\$491.6	\$529.2	7.6	\$573.9	8.4
Housing units (thous.)	248	248	-0.4	246	-0.5

Note: Percentage changes calculated from unrounded data.

Revenue Estimates

After the unusual revenue surge of the past year, revenue growth is expected to return to a more normal level in 1988 and 1989 with taxpayer behavior settling back to more traditional patterns. There are, however, more than the usual uncertainties which complicate the analysis of revenues. Of particular note are the recent events in the stock market and their impact on the economic situation. More directly, it appears that potential effects of the 1986 National Tax Reform Act have not yet been fully realized. Furthermore, good information is still lacking on the interaction of tax law changes and individual decisions. While these may involve only a small percentage of taxpayers, the revenue implications are enormous.

The distortion caused by reactions to the new federal tax law was seen in 1986-87 with a 15.8 percent growth in General Fund revenues and transfers over the prior year. Current year revenues are expected to be up only \$1.2 billion, or 3.6 percent, from the phenomenal level of 1986-87. Revenues for 1988-89, in contrast, are forecast to grow by 7.6 percent over the 1987-88 level.

Capital gains are a critical factor in the revenue picture. The 1986 federal tax law changes led to the taking of unusually large capital gains during the final quarter of 1986. This, together with other tax law influenced behaviors, generated a large amount of revenue for California, even though State law was not directly tied to the federal statutes.

“After the unusual revenue surge of the past year, revenue growth is expected to return to a more normal level in 1988 and 1989 with taxpayer behavior settling back to more traditional patterns.”

In fact, the increase was so great that the Governor proposed, and the Legislature enacted, a tax rebate of \$1.1 billion (Chapters 908 and 915, Statutes of 1987), in accordance with Article XIII B of California's Constitution. A detailed discussion of the rebate appears in the section on the State Appropriations Limit.

Federal Conformity. Conformity of State law to the new federal tax law was a major objective of the Administration during the past year.

Four goals were set:

- simplification of tax return preparation;
- elimination of tax loopholes;
- maintenance of an equitable sharing of the tax burden; and
- revenue neutrality.

The Legislature enacted and the Governor signed into law Chapters 1138 and 1139, Statutes of 1987 (AB 53 and SB 572), meeting these objectives.

The federal conformity bills are a major achievement. The maximum personal income tax rate was lowered from 11 percent to 9.3 percent and the standard deduction and personal and dependent tax credits were increased. An estimated 353,000 low income families will be relieved of any income tax liability.

Business also benefited. The maximum corporate franchise tax was lowered from 9.6 to 9.3 percent. Provisions were adopted to allow 50 percent of net operating losses to be carried forward for the next 15

tax years in order to offset taxable income. Also, California conformed to federal Subchapter S provisions—which allow a corporation to act as a conduit through which income, losses, deductions and credits are passed on to the shareholders. A special 2.5 percent tax rate was established for these corporations to offset part of the revenue loss from this provision.

Revenue raising provisions were essentially similar to the base-broadening provision efforts of the federal law. While the conformity bills are revenue neutral, some taxpayers will pay more while others pay less. On balance, however, the tax burden will be more equitably shared as a result of these bills.

Audit Programs. Current and budget year revenues reflect continuing efforts to maintain audit activities in the three major taxes and thereby encourage taxpayer compliance. The program will emphasize that taxes will be fairly shared, and that tax evaders and other collection and reporting problems will not be tolerated. The current levels of audit activity are a balance between insuring broad compliance with the tax laws and the avoidance of unnecessary inconvenience to taxpayers from the audit process.

Revenue Summary. Overall, General Fund revenues and transfers, which represent 86 percent of the Governor's Budget, will amount to \$36.2 billion during 1988–89, a gain of nearly \$2.6 billion from the current year's estimate of \$33.7 billion. Special fund revenues are expected to increase by \$0.4 billion to \$6 billion in 1988–89. A detailed listing of all revenues appears in Schedule 8 of the Appendix.

General Fund Revenue

Personal Income Tax—\$15,428,000,000. Chapter 1138, Statutes of 1987 (AB 53), was the most significant personal income tax bill in the recent history of California. The State's personal income tax was restructured to closely conform with federal law and thereby greatly simplify tax return preparation. These changes are effective

“Overall, General Fund revenues and transfers, which represent 86 percent of the Governor's Budget, will amount to \$36.2 billion during 1988–89, a gain of nearly \$2.6 billion from the current year's estimate of \$33.7 billion.”

beginning with the 1987 tax year.

Most base-broadening provisions of the Federal Tax Reform Act of 1986 were adopted. For example, limitations were placed on the deduction of passive losses, employee business expenses, miscellaneous expenses, moving expenses, business meals and entertainment expenses, home mortgage interest and medical expenses. The deduction for sales tax was eliminated and that for consumer interest was phased out. Capital gains became fully taxable, but a credit will be allowed for sales of residential rental and farm property for 1987 through 1991. Income averaging was eliminated and many changes were made in pension rules.

Many prior areas of nonconformity were eliminated such as in the areas of depreciation, Individual Retirement Accounts, Keogh plans, the charitable contribution limit, alimony, adoption expenses and imputed interest rules. Fifty percent of net operating losses can now be carried forward for up to 15 years.

Chapter 1138 also reduced tax rates; the maximum rate dropped from 11 to 9.3 percent. The personal credit was increased from \$45 to \$51 and the dependent and blind credit from \$14 to \$51. The standard deduction was increased in line with federal law to \$3,760 for joint returns.

The military pay exclusion, senior citizen exclusion, political contribution deduction and joint custody filing status were replaced by credits. New credits were also added for incremental research and development expenditures, low income housing, clinical testing of certain drugs and commercial solar projects. All credits except the constitutional renters credit will sunset at the end of either 1991 or 1992.

The personal income tax will continue to be adjusted annually for inflation so taxpayers will not be pushed into higher tax brackets without real increases in income.

The income component of the economic forecast forms the basis for the personal income tax forecast.

Capital gains income, which is not part of the national income accounts, is forecast separately using historic trends with recent stock market and real estate activity as guides.

The difficulty of estimating the fiscal impact of the tax conformity bill's massive changes has added to the uncertainty of the revenue forecast. Among other factors, the volatile capital gains component has become a much larger proportion of the personal income tax base.

This forecast assumes that the revenue from capital gains will be down from the inflated levels experienced in 1986. Despite the year-to-year reduction, however, gains in 1987 are believed to be close to the long-term trend level.

Chapters 908 and 915, Statutes of 1987 (SB 47 and AB 2609, respectively), established the mechanism for returning revenues in excess of the State's appropriations limit to taxpayers. Rebates amounted to 15 percent of a taxpayer's 1986 personal income tax liability up to a maximum of \$136 for single persons and \$272 for married couples. A minimum rebate of \$32 was allowed all persons who filed under the personal income tax or the Senior Citizens, Homeowners', and Renters' Assistance programs. Rebate payments are expected to total \$1,096 million in 1987-88.

Adjustments to the forecast include Chapter 613, Statutes of 1987, which allows the Franchise Tax Board to use private collection agencies to collect in-State delinquent accounts. This is expected to generate an additional \$8 million in the budget year. Higher than expected returns on current year audit staffing augmen-

tations added \$90 million to 1987-88 revenues and \$80 million to 1988-89 revenues. Another \$25 million is expected from proposed State audit augmentations. California should also receive \$30 million from proposed increases in federal audit activity.

Estimated revenue for the current and budget years, compared with actual collections in 1986-87, are:

(In Millions)	
1986-87 (Actual)	\$13,922
1987-88 (Estimated)	14,100
1988-89 (Estimated)	15,428

Sales Tax—\$12,275,445,000. The sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas, electricity, and water. Other exemptions provide relief for a variety of sales ranging from candy to aircraft.

Of the 6 percent rate currently imposed:

- 4.75 percent represents the State tax rate;
- 1 percent is for cities and counties; and
- 0.25 percent is for county transit systems.

An additional 0.5 percent rate is levied by various transit districts for the support of public transit systems. This tax is currently imposed by the San Francisco Bay Area Rapid Transit District, the Santa Clara County Transit District, the Santa Cruz Metropolitan Transit District, the Los Angeles County Transportation Commission and the San Mateo County Transit District. There has also been a move by several counties to increase their sales tax rates to provide additional funds, particularly for transportation, but also for other purposes. To date, Santa Clara, Alameda, Fresno, and San Diego counties have been successful in levying an additional 0.5 percent sales tax to fund transportation projects. These levies are in addi-

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**Table 14-1
Sales Tax Revenue
(In Millions)**

	<i>1986-87 Actual</i>	<i>1987-88 Estimated</i>	<i>1988-89 Estimated</i>
General Fund	\$10,904	\$11,500	\$12,275
TP&D	0	20	49
Total	\$10,904	\$11,520	\$12,324

Table 14-2
Taxable Sales in California
(In Millions)

	<i>1986 Actual</i>	<i>1987 Estimated</i>	<i>1988 Estimated</i>	<i>1989 Estimated</i>
Motor vehicle dealers, auto repairs and parts, etc.	\$38,404	\$38,690	\$40,300	\$43,390
Percent change.....	9.0	0.7	4.2	7.7
Producers and refiners of petroleum, service stations, etc.	\$13,777	\$14,830	\$16,000	\$17,000
Percent change.....	-18.7	7.6	7.9	6.3
Building materials including contractors	\$21,932	\$23,700	\$24,780	\$25,840
Percent change.....	9.3	8.1	4.6	4.3
Manufacturing and services.....	\$40,425	\$43,920	\$47,230	\$49,760
Percent change.....	4.2	8.6	7.5	5.4
All other retail stores.....	\$102,928	\$110,500	\$116,460	\$123,380
Percent change.....	5.5	7.4	5.4	5.9
Total Taxable Sales.....	\$217,466	\$231,640	\$244,770	\$259,370
Percent change.....	4.3	6.5	5.7	6.0

tion to any existing transit district taxes, bringing the combined sales tax rate for these counties to 6.5 or 7 percent—the maximum combined rate allowed under statutory law.

The sales and use tax forecast is prepared by relating taxable sales by type of sale to various economic factors such as disposable personal income, housing starts, employment and inflation.

Quarterly growth in sales has been on a slowing trend since early 1984 when sales were increasing by almost 20 percent on a year-over-year basis. The decline of fuel prices over the past year added impetus to this trend. Excluding fuel related sales, calendar year 1986 taxable sales increased 6.3 percent as opposed to a 4.3 percent gain including fuel.

For the first half of calendar year 1987, sales were up 6.5 percent on a year-over-year basis. General merchandise and apparel sales showed particular strength over this period, increasing 10.6 percent, while motor vehicle sales began to show signs of a slowdown, increasing only 4.2 percent.

For the current fiscal year, the motor vehicle component is estimated to be relatively weak compared with the growth of other sectors as the impact of dealer incentives dimin-

*“ . . . total taxable
sales are expected to
increase 5.7 percent
for 1987–88 and
7 percent for 1988–89.”*

ishes and the pent-up demand for new vehicles has been met. Even with this slowdown, total taxable sales are expected to increase 5.7 percent for 1987–88 and 7 percent for 1988–89.

Existing law requires that a transfer be made from the Retail Sales Tax Fund to the Transportation Planning and Development (TP&D) Account based on a formula which determines whether the sales tax, at 4.75 percent of all items, generates more revenue to the General Fund than the prior tax law which taxed items, excluding gasoline, at 5 percent. If an increase is experienced, that additional money must be placed in the TP&D Account. If this amount is less than \$110 million, a transfer of the State sales tax on diesel fuel is to be made to the TP&D Account. It is expected that a transfer of \$64 million will be triggered in 1988–89. In order to reach this amount, it is proposed that \$49 million of the sales tax on diesel fuel and \$15 million of Petroleum Violation Escrow Account funds be combined.

Three measures of major consequence to sales and use tax revenues were enacted in 1987.

- Chapter 1144, Statutes of 1987, provides the Board of Equalization with the ability to compel out-of-state retailers to collect the California use tax, thereby

eliminating a loophole in the use tax collection system and the competitive disadvantage that California retailers face due to out-of-state solicitations. Once proven constitutional, this statute will also increase the prepayment threshold for California retailers from \$17,000 to \$50,000 taxable sales per month. This measure is expected to increase 1988-89 revenues by \$100 million.

- Chapter 1103, Statutes of 1987, exempts items purchased with Food Stamp Coupons, thereby complying with the Federal Food Security Act of 1985. It is expected to reduce 1987-88 revenues by \$2.5 million and 1988-89 revenues by \$3.7 million. Without this exemption, California would be precluded from participating in the Federal Food Stamp Program.
- Chapter 1300, Statutes of 1987, reinstates, over a three-year period, a partial exemption for cold food products sold through vending machines, thereby conforming the taxation of vending machine sales with that of other

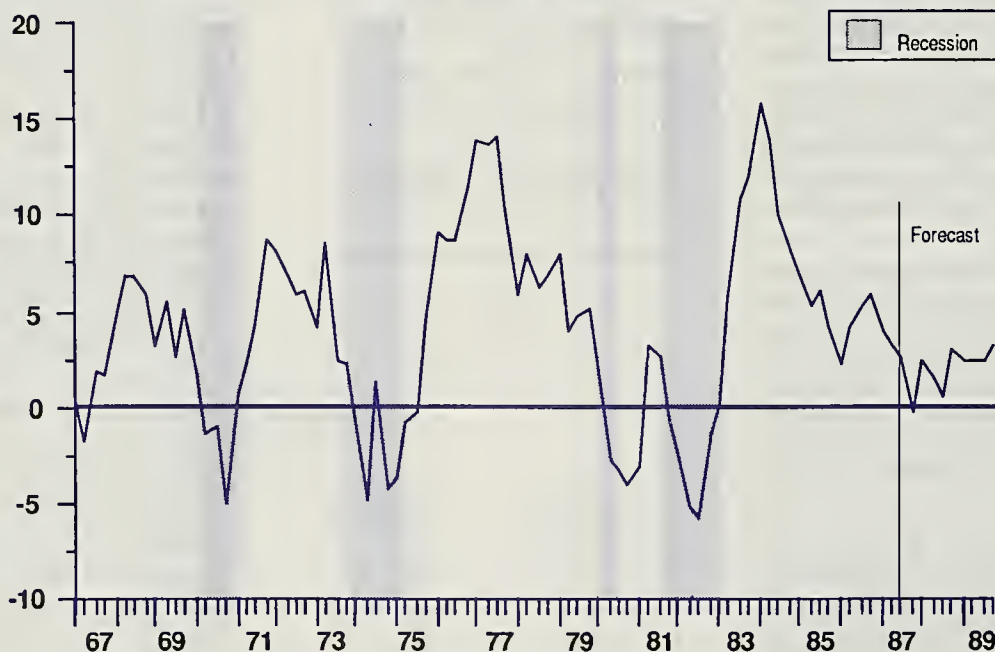
“(New legislation) provides . . . the ability to compel out-of-state retailers to collect the California use tax, . . . eliminating . . . the competitive disadvantage that California retailers face due to out-of-state solicitations.”

retailers selling similar items. It is expected to reduce 1987-88 revenues by \$3.9 million and 1988-89 revenues by \$13.2 million.

Bank and Corporation Tax—\$5,415,000,000. Bank and Corporation tax revenues are actually derived from four taxes:

- The franchise tax and the corporation income tax are levied at a 9.3 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations which do not do business in the State, but which derive income from California sources. These are primarily firms engaged wholly in interstate commerce and holding companies.
- Banks and other financial corporations pay an additional tax (i.e., “Bank Tax”) on their net income. This tax is in lieu of all State and local taxes except those on real property, motor vehicles and business licenses. The current rate for this tax is approximately 1.5 percent.

**Figure 14 - 1
Taxable Sales Growth
(Constant 1982 Dollars)
Year-Over-Year Percent Change**



- The alternative minimum tax is similar to that in federal law. This tax is imposed for income years beginning in 1988 and subsequent years at a rate of 7 percent. The alternative minimum tax replaces a tax on preference income.
- A minimum franchise tax is imposed, which in most instances is \$300 for the 1987 and 1988 tax years.

Since the tax is a function of corporate profits, the relationship of California profits to the national corporate profits forecast is important. However, the relationship is not precise because business activity in California may differ somewhat from that for the nation. Furthermore, State tax law defines profits differently (e.g., the treatment of certain depreciation) and national profits are the net of all gains and losses, whereas California taxable profits are gains only.

The preparation of the forecast involves consideration of the level of employment, the trends in non-corporate business income, interest rates, and inflation. In addition, the 1987 forecast of California taxable profits is influenced by actual prepayment revenues. Cash flow indicates that California is currently experiencing stronger profit growth than the nation.

The National Tax Reform Act of 1986, which was signed in October 1986, had no direct impact on California law. However, behavioral responses by taxpayers to the national law resulted in changes for State revenues. There was a significant revenue increase in fiscal year 1986-87 with corresponding decreases expected in subsequent years.

Although a number of legislative bills were enacted during 1987, the net impact on revenues was minor. The federal conformity bill, Chapter 1139, Statutes of 1987 (SB 572), has significantly restructured the law and will affect every corporate taxpayer. The bill was essentially revenue neutral but its impact on the business climate in California is ex-

***"Cash flow indicates
that California is
currently experiencing
stronger profit growth
than the nation."***

pected to be positive. Provisions which the business community has always supported, such as S-corporations and net operating loss carryforward, are now in California law. In addition, the general tax rate was reduced from 9.6 to 9.3 percent.

As a result of enactment of legislation reforming the unitary method of assessing multi-national corporations' profits, it is estimated that the Unitary Fund will receive \$10 million in election fees in the budget year.

Estimated General Fund revenues for the current and budget years, compared with actual collections in 1986-87 are:

(In Millions)	
1986-87 (actual)	\$4,801
1987-88 (estimated)	5,000
1988-89 (estimated)	5,415

Insurance Tax—\$1,225,000,000.

The majority of insurance written is subject to a 2.35 percent gross premium tax. This premium tax takes the place of all other State and local taxes except those on real property and motor vehicles. Exceptions to the 2.35 percent rate are certain pension and profit-sharing plans which are taxed at the lesser rate of 0.50 percent, surplus lines at 3 percent and ocean marine insurers at 5 percent of underwriting profits.

The growth rate in 1987 is expected to be substantially down from the trend that the insurance industry has experienced since 1983. For the years 1985 and 1986, liability rose in excess of 20 percent per year. For 1987, the growth is expected to be less than 10 percent. The 1988 liability is expected to be up, but only slightly more than in 1987.

An annual survey conducted by the Department of Finance is used to project insurance premium growth. Responses were obtained from 132 insurance companies, accounting for about one half of the insurance written in California. The results indicate that taxable premiums will total \$47.9 billion in 1987 (8.6 percent over 1986) and \$53.1 billion in 1988 (a 10.5 percent increase).

The estimated tax for the current and budget years, compared with

Table 14-4
Cigarette Tax Revenue
(In Thousands)

	1986-87 <i>Actual</i>	1987-88 <i>Estimated</i>	1988-89 <i>Estimated</i>
General Fund	\$179,282	\$177,000	\$176,000
Cigarette Fund	75,793	75,000	74,000
Total	\$255,075	\$252,000	\$250,000

actual revenue for 1986-87, is:

(In Thousands)

1986-87 (Actual)	\$1,008,804
1987-88 (Estimated)	1,100,000
1988-89 (Estimated)	1,225,000

Estate/Inheritance/Gift Taxes—

\$345,000,000. Proposition 6, adopted by the voters on June 8, 1982, repealed the inheritance and gift taxes and imposed an estate tax designed to pick up the maximum credit allowed against the federal estate tax, otherwise known as the "pick up tax." This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government. As a result, the date of death of the decedent or the date a gift is made determines which tax laws prevail. For State tax purposes, the former inheritance and gift taxes apply to deaths and gifts occurring prior to June 8, 1982, whereas transfers attributable to deaths on or after that date would only be subject to the federal credit. The "pick up tax" is computed on the basis of the federal "taxable estate." Tax rates range from 0.8 to 16.0 percent.

Unusually large estate tax payments, in the amount of \$71 million, were made during the 1986-87 year. Except for a \$75 million payment due in 1988, no other exceptionally large inheritance tax payments are anticipated in the forecast. While it is possible that the State will accept real property in lieu of the \$75 million payment, this option deviates from normal tax policy by limiting the cash available for appropriation to programs.

The inheritance, estate and gift revenue forecast has three parts; estate tax, inheritance tax and gift tax. Estimates of these three components, as well as actual revenue collections, are shown in Table 14-3.

Cigarette Tax—\$176,000,000.

A tax of 10 cents per package of cigarettes is imposed on distributors selling cigarettes in this State. Thirty percent of the revenue is allocated to local governments with the remaining 70 percent going to the General Fund. Cigars and other tobacco products are not subject to a tobacco tax.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. Per capita consumption has been on a decline in recent years and this decline is expected to continue through the budget period. Per capita consumption in 1987-88 is expected to decrease 3.4 percent from 1986-87 and drop another 2.4 percent in 1988-89. The estimated increase in population will not offset the decline in per capita consumption, resulting in declines in total consumption of approximately one percent in the current and budget years.

Figure 14 - 2
Cigarette Consumption Per Capita

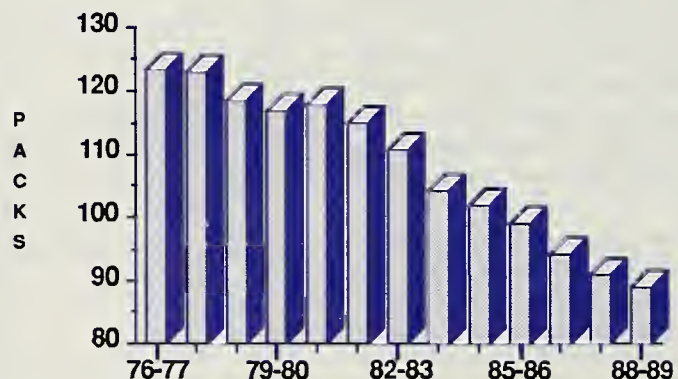


Table 14-3
Inheritance, Estate and
Gift Revenue
(In Thousands)

	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i> <i>Estimated</i>	<i>1988-89</i> <i>Estimated</i>
Inheritance tax	\$33,095	\$100,000	\$23,000
Estate tax	238,717	279,000	321,000
Gift tax	1,278	1,000	1,000
Total	\$273,090	\$380,000	\$345,000

Taxable distributions of cigarettes in 1986-87 amounted to 2.57 billion packs; 2.54 billion packs are projected for 1987-88 and 2.53 billion packs for 1988-89. Per capita consumption of cigarettes is illustrated in Figure 14-2. Cigarette tax revenue estimates are shown in Table 14-4.

Alcoholic Beverage Taxes—\$129,000,000. Taxes on alcoholic beverages are levied on the sale of distilled spirits, beer and wine. Tax rates vary with the type of alcoholic beverage, as indicated below:

Beer	\$0.04 per gallon
Dry wine	\$0.01 per gallon
Sweet wine	\$0.02 per gallon
Sparkling wine	\$0.30 per gallon
Distilled spirits	\$2.00 per gallon

Alcoholic beverages tax estimates are based on projections of total and per capita consumption for each type of beverage.

Total and per capita consumption of dry wine and sparkling wine decreased slightly after gains during the last five years. Consumption of beer and sweet wine has risen slightly. Total consumption of beer and wine is expected to grow over the next several years due to the increase in population, although per capita consumption is expected to flatten. The decline in total and per capita consumption of distilled spirits, underway since 1981, is expected to continue.

Estimated per capita consumption for the current and budget years, compared with the actual for 1986-87 is shown in Table 14-5. Estimated revenues for the current and budget years, compared with the actual for 1986-87 is shown in Table 14-6.

Horse Racing Revenue—\$114,000,000.

Horse racing revenue comes primarily from license fees imposed on amounts wagered. The license fee revenue schedule is based upon many factors, including the amount wagered, the location of the track and the type of wager. Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed parimutuel tickets, occupational license fees, fines and penalties.

Chapter 1273, Statutes of 1987 (SB 14), expanded satellite wagering to fair locations in Central and Southern California. It also revised satellite wagering in Northern California. It is estimated that after an initial decline in revenues and increase in expenses, this will bring in an additional \$3 million to the Fairs and Exposition Fund while maintaining the same level of revenue to the General Fund when all of the wagering facilities are in full operation.

Chapter 1274, Statutes of 1987, made technical corrections to SB 14, and also included bonding authority for Fairs and Exposition to provide funds to implement SB 14.

Table 14-7 provides information on total parimutuel pools and receipts from horse racing during the budget period.

Table 14-5
Per Capita Consumption
(In Gallons)

	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i> <i>Estimated</i>	<i>1988-89</i> <i>Estimated</i>
Beer	24.05	24.13	24.21
Dry wine	3.93	3.94	3.95
Sweet wine	.33	.33	.33
Sparkling wine	.38	.39	.39
Distilled spirits	1.84	1.77	1.71

Table 14-6
Beer, Wine and Distilled Spirits
Revenue
(In Thousands)

	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i> <i>Estimated</i>	<i>1988-89</i> <i>Estimated</i>
Beer and wine	\$30,647	\$31,400	\$32,100
Distilled spirits	100,641	98,600	96,900
Total	\$131,288	\$130,000	\$129,000

Table 14-7
Horse Racing Revenue
(In Thousands)

	<i>1986-87 Actual</i>	<i>1987-88 Estimated</i>	<i>1988-89 Estimated</i>
Amount Wa- gered Receipts:	\$2,196,895	\$2,600,000	\$2,800,000
General Fund	\$111,122	\$112,000	\$114,000
Fairs & Expo- sition Fund	24,850	33,725	36,798
Other	2,691	2,760	2,860
Total	\$139,037	\$148,485	\$153,655

Special Fund Revenue

The California Constitution, codes and statutes specify the uses of certain revenue. Such receipts are accounted for in various special funds. In general, Special Fund revenues comprise three categories of income:

- Receipts from tax levies which are allocated to specified functions, such as motor vehicle taxes and fees.
- Charges for special services to specific functions, including such items as business and profession license fees.
- Rental royalties and other receipts designated for particular purposes—for example, oil and gas royalties.

Motor vehicle-related taxes and fees account for 73 percent of all Special Fund revenue. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. During the 1988-89 fiscal year, \$4.3 billion will be derived from the ownership or operation of motor vehicles. Approximately \$2.6 billion of this revenue will be returned to local governments. The remainder will be available for various State programs related to transportation and services to vehicle owners.

Thirty percent of the cigarette tax revenue is deposited in a special fund for distribution to cities and counties. The 1988-89 receipts for this fund are estimated at \$74 million.

***“Motor vehicle-related
taxes and fees account
for 73 percent of all
Special Fund
revenue.”***

Motor Vehicle Fees—\$3,046,180. Motor vehicle fees consist of vehicle license, registration, weight, drivers' license fees and various other charges related to vehicle operation.

The vehicle license fee is imposed for the privilege of operating a vehicle on the public highways in California. This tax is imposed in-lieu of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles. All of the revenues from this tax, excluding administrative costs, are apportioned to local governments for general purpose use.

The vehicle license fee is calculated on the vehicle's "market value," which is the cost to the purchaser exclusive of sales tax, adjusted by a depreciation schedule. For motor vehicles, the schedule is based on a 10-year depreciation period; an 18-year depreciation period is used for trailer coaches. A 2 percent rate is applied to the depreciated value to determine the fee. Revenue from this source is contingent on the number of vehicles in the State, the ages of those vehicles and their original prices.

From 1983-84 through 1985-86, vehicle license fee revenue increased dramatically—over 92 percent. This rapid growth was due to several factors:

- Vehicle license fees were changed to a 10-year rather than 9-year depreciation schedule effective October, 1983.
- New automobile sales increased over 29 percent during 1983-84

Table 14-8
Motor Vehicle Fees
Revenue
(In Thousands)

	<i>1986-87 Actual</i>	<i>1987-88 Estimated</i>	<i>1988-89 Estimated</i>
Vehicle License Fees	\$1,664,725	\$1,819,000	\$1,938,400
Registration, Weight, & Other Fees	1,025,126	1,070,080	1,107,780
Total	\$2,689,851	\$2,889,080	\$3,046,180

as the economy moved into a strong expansionary phase.

New vehicle sales remained exceptionally strong due to pent-up demand and dealer incentives. For the three years combined, over 3.7 million automobiles were sold as opposed to 2.7 million for the prior three years.

The renewal vehicle base was not adversely impacted by strong new car sales.

While new automobile sales remained strong through 1986-87, they were up only 3.3 percent from the prior year.

New vehicle sales are expected to decline almost 10 percent during the current year and remain at that level through the budget year. Even with this slowdown, vehicle license fee revenues are estimated up 9.3 percent for 1987-88 and 6.6 percent for 1988-89. This growth is attributable to an average new vehicle price increase of roughly 5 percent annually and the large volume of relatively newer vehicles in the renewal base.

Registration fees are levied at a flat rate on all motor vehicles, trailers, semi-trailers and certain types of dollies. Trucks and trailers are also subject to weight fees.

Allowing for scrappage and for vehicles entering and leaving the

Table 14-9
Motor Vehicle Fuel Tax
Revenue
(In Thousands)

	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i> <i>Estimated</i>	<i>1988-89</i> <i>Estimated</i>
Gasoline	\$1,107,931	\$1,121,860	\$1,147,850
Diesel	141,655	148,000	152,000
Total	\$1,249,586	\$1,269,860	\$1,299,850

***"The motor vehicle
fuel license tax
(gasoline) and the use
fuel tax (diesel)
provide the major
sources of funds for
maintaining,
replacing and
constructing State
highway and
transportation
facilities."***

State, total fee-paid registrations (autos, trucks, trailers and motorcycles), including a proportional factor for multi-state vehicles, at year-end are estimated at 22,385,000 for 1987-88 and 23,025,000 for 1988-89.

Total revenues from motor vehicle fees are illustrated in Table 14-8.

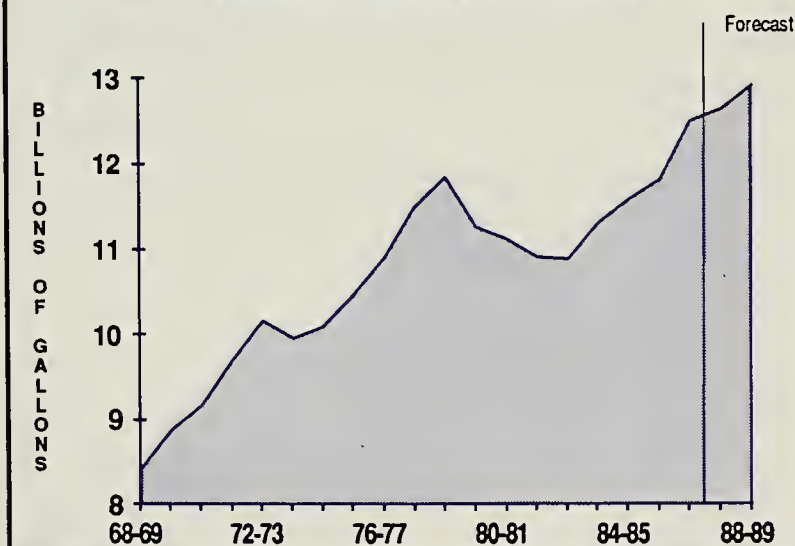
Motor Vehicle Fuel Taxes—\$1,299,850. The motor vehicle fuel license tax (gasoline) and the use fuel tax (diesel) provide the major sources of funds for maintaining, replacing and constructing State highway and transportation facilities. Roughly one-half of these revenues are apportioned to local jurisdictions for streets and highway use.

The gas tax is imposed on the distribution of gasoline and other flammable liquids. Distributions of diesel fuel, liquid petroleum gas (LPG), alcohol fuel and kerosene are not included under this tax. The current tax rate for motor vehicle fuel is 9 cents per gallon. Aircraft jet fuel is taxed at 2 cents per gallon.

The use fuel tax is imposed on diesel fuel, LPG, natural gas and alcohol fuel for use on State highways. The current tax rates are 9 cents per gallon of motor vehicle fuel, 7 cents per 100 cubic feet of compressed natural gas, 6 cents per gallon of LPG or liquid natural gas and 4.5 cents per gallon of alcohol fuel. In addition, a person may elect to pay a flat rate fuel tax based on vehicle weight in lieu of the tax on LPG. Local transit systems and certain common carriers pay 1 cent per gallon.

Gasoline consumption and tax revenues are very sensitive to the retail price of fuel. As of November 1986, the average retail price of gasoline

Figure 14 - 3
California Gasoline Distributions



had dropped to \$.72 per gallon, down almost 50 percent from the high of \$1.40 per gallon recorded in late 1981 and returning to the price level of the late 1970s. As a direct result of this price decline, gasoline consumption increased almost 6 percent during 1986–87. By April 1987, prices had moved up to \$.89 per gallon, where they remained for the rest of the year.

Gasoline prices are forecast relatively flat through the budget year, increasing only \$.10 per gallon over the two years. As a result of continued moderate fuel prices, consumption is expected to increase 3.4 percent over the two years.

Highway consumption of diesel fuel is estimated by projecting the trend of past distributions with adjustments to reflect changes in the economy. Consumption of diesel fuel, which is also impacted by price, increased 9 percent during 1986–87. As with gasoline, more moderate growth is estimated for the current and budget years, increasing 3.8 percent and 2.9 percent, respectively.

California Gasoline Distributions are illustrated in Figure 14-3 and Motor Vehicle Fuel Tax revenue is shown in Table 14-9.

Long-Range and Alternate Revenue

Alternative revenue forecasts are provided for the current and budget year for the General Fund. These are based on the high and low economic forecasts, and are intended to provide an approximation of the potential variation possible in revenues. Alternatives are not given for the special funds which are generally more stable.

The long range forecasts are based on an extension of the standard economic forecast. They are basically trend extrapolations. Considerable variation around the longer range estimates shown in Table 14-10 is likely, given the uncertainties which exist with respect to the economy. Special fund revenues are estimated at \$6.3 billion for 1989–90 and \$6.6 billion for 1990–91.

Table 14-10
General Fund Alternate and Long-Range
Revenue Forecasts
(In Millions)

<i>Fiscal Year</i>	<i>High Alternative</i>	<i>Budget Estimate</i>	<i>Low Alternative</i>
1987–88	\$34,490	\$33,678	\$32,730
1988–89	38,270	36,249	33,620
1989–90		39,080	
1990–91		42,546	

Summary Tax Data

The following Tables provide historical information on State tax collections and an outline of the current State tax system.

Table 14-11
Summary of State Tax Collections
(Excludes Departmental, Interest and Miscellaneous Revenue)

	<i>Per Capita Personal Income</i> ^{1 2}	<i>State Tax Collections (Millions)</i>		<i>Taxes per Capita</i> ¹		<i>Taxes per \$100 of Personal Income</i> ³	
		<i>General Fund</i>	<i>Total</i>	<i>General Fund</i>	<i>Total</i>	<i>General Fund</i>	<i>Total</i>
1967-68.....	\$3,689	\$3,558	\$4,676	\$185.55	\$243.86	\$5.03	\$6.61
1968-69.....	3,987	3,963	5,173	203.94	266.21	5.12	6.68
1969-70.....	4,485	4,126	5,409	208.96	273.94	4.66	6.11
1970-71.....	4,746	4,290	5,599	214.08	279.41	4.51	5.89
1971-72.....	4,958	5,213	6,599	256.22	324.34	5.17	6.54
1972-73.....	5,360	5,758	7,229	279.72	351.18	5.22	6.55
1973-74.....	5,836	6,379	7,877	305.67	377.45	5.24	6.47
1974-75.....	6,433	8,045	9,574	379.95	452.16	5.91	7.03
1975-76.....	6,951	9,069	10,710	421.07	497.26	6.06	7.15
1976-77.....	7,646	10,781	12,525	491.48	570.98	6.43	7.47
1977-78.....	8,373	12,952	14,826	579.46	663.30	6.92	7.92
1978-79.....	9,411	14,188	16,201	621.30	709.45	6.60	7.54
1979-80.....	10,526	16,860	19,057	724.94	819.41	6.89	7.78
1980-81.....	11,603	17,808	20,000	748.86	841.04	6.45	7.25
1981-82.....	12,723	19,109	21,556	787.51	888.36	6.19	6.98
1982-83.....	13,236	19,579	22,375	790.02	902.84	5.97	6.82
1983-84.....	13,927	22,309	25,685	881.50	1,014.90	6.33	7.29
1984-85.....	15,097	25,515	29,038	989.72	1,126.38	6.56	7.46
1985-86.....	16,036	26,982	30,916	1,023.67	1,172.93	6.38	7.31
1986-87.....	16,904	31,331	35,368	1,161.22	1,310.85	6.87	7.75
1987-88 ¹	17,834	32,499	36,775	1,187.53	1,343.77	6.66	7.53
1988-89 ¹	18,624	35,107	39,610	1,260.71	1,422.42	6.77	7.64

¹ Per Capita computations are based on July 1 populations estimates.

² Personal income data is on a calendar year basis (e.g., 1967 for FY 1967-68) and the data prior to 1969 are not comparable.

³ Taxes per \$100 personal income computed using calendar year personal income e.g. 1967 income related to 1967-68 tax collections.

¹ Estimated

Table 14-12
Comparative Yield of State Taxes, 1967-68 through 1988-89
(In thousands)

<i>Year Ending June 30</i>	<i>Sales and Use</i>	<i>Personal Income</i>	<i>Bank and Corpora- tion¹</i>	<i>Cig- arette</i>	<i>Estate Inheritance and Gift²</i>	<i>Insur- ance</i>	<i>Distilled Spirits</i>	<i>Horse Racing</i>	<i>Beer and Wine</i>	<i>Motor Vehicle Fuel³</i>	<i>Vehicle Fees⁴</i>
1968	\$1,464,927	\$952,487	\$576,874	\$219,272	\$135,554	\$121,155	\$81,700	\$54,799	\$13,196	\$581,127	\$437,918
1969	1,652,979	1,101,691	592,303	237,328	158,815	130,312	85,494	59,839	14,118	625,667	469,655
1970	1,753,611	1,152,053	587,013	236,878	164,299	136,733	89,793	58,244	16,115	668,537	498,992
1971	1,808,052	1,264,383	532,091	239,721	185,699	158,423	90,765	64,601	15,791	674,635	513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	94,717	69,380	17,374	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	96,907	72,693	17,977	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	100,554	78,289	18,758	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	100,856	86,637	19,893	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	104,697	96,117	20,616	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	105,275	102,702	22,210	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	109,088	111,591	22,972	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	114,922	112,856	25,137	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	112,757	127,002	26,183	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	115,191	129,779	27,669	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	111,151	119,626	28,372	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	108,519	120,159	27,690	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	107,983	141,001	29,450	1,213,167	1,906,290
1985	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	105,952	133,814	29,834	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	102,370	131,592	29,892	1,194,172	2,515,295
1987	10,904,023	13,922,074	4,800,843	255,075	273,090	1,008,804	100,641	139,037	30,647	1,249,586	2,689,851
1988 Est.	11,520,000	14,100,000	5,000,000	252,000	380,000	1,100,000	98,600	148,485	31,400	1,269,860	2,889,080
1989 Est.	12,324,000	15,428,000	5,425,000	250,000	345,000	1,225,000	96,900	153,655	32,100	1,299,850	3,046,180

¹ Includes the corporation income tax.

² Proposition 6 repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable. Federal estate tax credit effective for decedents dying on or after June 8, 1982.

³ Motor vehicle fuel tax (gasoline), use fuel tax (diesel) and liquefied petroleum gas.

⁴ Registration and weight fees, motor vehicle license fees and other fees.

TABLE 14-13
OUTLINE OF STATE TAX SYSTEM AS OF JANUARY 1, 1988

<i>Major Taxes and Fees</i>	<i>Base or Measure</i>	<i>Rate</i>	<i>Administering Agency</i>	<i>Fund</i>
Alcoholic Beverage				
Excises:				
Beer	Gallon	\$0.04	Equalization ¹	General
Distilled Spirits	Gallon	\$2.00	Equalization	General
Wine:				
Dry	Gallon	\$0.01	Equalization	General
Sweet	Gallon	\$0.02	Equalization	General
Sparkling	Gallon	\$0.30	Equalization	General
Sparkling hard cider ..	Gallon	\$0.02	Equalization	General
Bank and Corporation:				
General Corporation	Net income	9.3% ²	Franchise ³	General
Banks and Financial corporations	Net income	12.0% Max	Franchise	General
Alternate Minimum Tax ..	Alternate Taxable Income	7.0% ⁴	Franchise	General
Cigarette	Package	\$0.10 ⁵	Equalization	Cigarette Tax Fund ⁶
Energy Resources Sur-charge	Kilowatt hours	\$0.0002	Equalization	Energy Resources Surcharge Fund
Horse Racing License	Amount wagered	1.0-12.78%	Horse Racing Board	Fair and Expo. ⁷ Wildlife Restoration and General
	Breakage	0-100%		
Estate	Taxable Federal estate	0.8-16%	Controller	General
Insurance	Gross Premiums	2.35% ⁸	Insurance Dept.	General
Liquor license fees	Type of license	Various	Alcoholic Beverage Control	General
Motor Vehicle:				
Vehicle license fees	Market value	2%	Motor Vehicle Dept.	Motor Vehicle License Fee ⁹
Fuel—gasoline	Gallon	\$0.09	Equalization	Motor Vehicle Fuel ¹⁰
Fuel—diesel	Gallon	\$0.09	Equalization	Motor Vehicle Fuel
Registration fees	Vehicle	\$23.00	Motor Vehicle Dept.	Motor Vehicle ¹¹
Weight fees	Unladen Weight	Various	Motor Vehicle Dept.	State Highway ¹²
Personal Income	Taxable income	1-9.3%	Franchise	General
Alternate Minimum Tax ..	Alternate Taxable Income	7.0%	Franchise	General
Private Railroad Car	Valuation	¹³	Equalization	General
Retail Sales and Use	Receipts from sales or lease of taxable items	4.75%	Equalization	General and State Transportation Fund

¹ State Board of Equalization.

² Minimum Tax \$300 per year in 1987 and 1988, \$600 in 1989, and \$800 in 1990 and thereafter.

³ Franchise Tax Board.

⁴ Beginning in 1988.

⁵ This tax is levied at the rate of 5 mills per cigarette.

⁶ 30 percent of the cigarette tax is remitted to local jurisdictions.

⁷ For support of county fairs and other activities.

⁸ Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans and surplus lines.

⁹ For return to cities and counties.

¹⁰ For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.

¹¹ For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.

¹² For state highways and State Department of Motor Vehicles administrative expense.

¹³ Average property tax rate in the State during preceding year.

Source: State of California, Department of Finance.

Tax Expenditures

Beginning in 1971, the Department of Finance was required to produce a biennial tax expenditure report (Chapter 1762, Statutes of 1971). In 1984, the Statutes were amended (Chapter 268, Statutes of 1984) to require that the Department report to the Legislature annually regarding tax expenditures. This report fulfills that statutory requirement.

Definitions

A tax expenditure is defined as a revenue loss which occurs as a result of a special provision in the tax laws. Such revenue losses are analogous to payments made by the government except that they are accomplished through the tax system rather than the annual legislative appropriation process.

The definition of tax expenditure is critical since it determines which tax provisions are identified as "expenditures" and the total amount of such "expenditures."

Tax expenditures are any special provisions which deviate from the "basic tax structure" and which result in a revenue loss. Such a proposition leads to a rather broad-ranging identification of tax expenditures. To illustrate definition variations, property tax exemptions required by the Constitution are viewed as part of the law-of-the-land rather than tax expenditures. At the same time, property tax exemptions adopted by the Legislature deviate from the basic structure and qualify as tax expenditures.

In preparing this report, the Department of Finance defines tax expen-

*"Tax expenditures are
any special provisions
which deviate from
the "basic tax
structure" and which
result in a revenue
loss."*

ditures as those expenditures, including narrowly focused deductions or exclusions, that are only available to a select group of taxpayers.

Review of Tax Expenditures

Tax expenditure programs are not part of the normal appropriation process and require only a simple majority vote for passage. Often there is no control over the amount of foregone revenue which results from a tax expenditure. In the past, tax expenditures have not typically been reviewed unless they have received unfavorable publicity. Table 15-1 lists the tax expenditures repealed and Table 15-2 lists those enacted.

Last year, tax expenditures totalling \$1.2 billion were repealed as a result of Chapter 1138, Statutes of 1987 (AB53), the tax reform bill. Many other tax expenditures were limited. These actions reduced the revenue loss from tax expenditure provisions. Chapter 1138 also added "sunset" dates for all credits with the exception of the constitutional renters' credit.

Identifiable Tax Expenditures

Tables 15-3 and 15-4 list the revenue losses which result from the principle tax expenditures for which estimates are possible.

Personal Income Tax. The personal income tax accounts for the majority of all tax expenditures. For 1988-89 it is estimated that special income tax provisions alone will ac-

count for \$7 billion of tax expenditures. Expenditures in this area were significantly changed after the passage of income tax conformity legislation in 1987. (Refer to the Revenue Estimates Section of this Summary for detail.)

Sales and Use Tax. The sales and use tax law contains identifiable tax expenditures of approximately \$945 million. Examples of these include candy, leases of motion pictures and custom computer programs.

Local Revenue Losses. Table 15-4 lists the local government revenue losses from many of the principal exemptions or preferential provisions of property tax law. While a few of the exemptions are not technically tax expenditures, since they are required by the State Constitution, they are included to provide a more accurate picture of revenue losses resulting from special tax provisions.

Property taxes are, of course, local taxes and the legislative exemptions or preferential provisions do not constitute State tax expenditures. Nonetheless, they impact State finances. This occurs because local tax expenditures reduce property tax allocations to schools and the State is generally required under current school finance law to provide the difference in funding between local property tax allocations and school districts' revenue limits.

Consequently, each dollar of property tax revenue foregone by schools results in an additional dollar of State funding through the school apportionment process. A number of property tax exemptions result in State subventions to local governments other than school entities in order to make up some or all of their revenue losses. Examples include tax relief for homeowners and senior citizens.

Local government revenue losses from sales tax expenditures for 1988-89 are estimated at \$249 million, while losses from identifiable property tax expenditures are estimated at \$114 million.

Unidentifiable Revenue Loss Areas

In a number of particular sales and property tax areas, revenue loss estimates are relatively minor or have unknown revenue impact. These include sales tax exemptions for livestock, meals furnished by institutions and certain retailers which are defined in law as consumers rather than retailers and thus receive special treatment under the sales tax law. The principal property tax exemptions in this category include those for most of the real and personal property of federal, State and local agencies; non-profit cemeteries; growing crops, young fruit and nut trees; grapevines; free museums and libraries; and works of art under certain conditions.

Table 15-1
State Tax Expenditures Eliminated Since 1982
(\$ Thousands)

<i>Year</i>	<i>Chapter</i>	<i>Description</i>	<i>1st Full Year Savings</i>
1982		Personal income tax	
	502	Restrict gas tax deduction	\$9,400
	1525	Phase out gas tax deduction (no net revenue gain until 1984-85)	20,000
1983		Personal income tax	
	323	Medical deduction—Federal conformity	65,000
	498	Casualty deduction—Federal conformity	40,000
	323	Reduces energy and solar tax credits	37,000
	323	Repeals gas tax deduction	5,000
	488	Metal finishers pollution control credit	750
		Sales and use tax	
	323	Repeals home video rental exemption	17,000
	323	Modifies vending machine exemption	16,000
1984		Personal income tax	
	1563	Ridesharing	1,000
		Sales and use tax	
		Gasohol exemption expired	12,000
1985		Personal income tax	
	108	Energy credit reductions	105,000
	159	Federal conformity of withholding	1,000
	1460	Aging, designation of contributions on income tax returns	86
		Employer provided educational assistance	n.a.
		Group legal services	n.a.
		Bank and Corporation Tax	
	108	Energy credit reductions	4,000
	13	Federal conformity, treatment of corporate reorganization	100
		Sales and use tax	
	1446	Taxation of firm making commercial advertisements	12,500
1986		Sales and use tax	
	1468	Exemption for diesel fuel in commercial fishing	1,000
		Personal income tax	
		Charitable contributions for nonitemizers	30,000
1987		Personal Income Tax	
	1138	Partial exemption for capital gains	788,000
	1138	Sales tax deduction	213,000
	1138	Consumer interest deduction	172,000
	1138	Treatment of timber income as capital gains	5,000
	1138	Ridesharing expenses	n.a.
	1138	Ridesharing vehicles	n.a.
	1138	Handicapped remodeling expenses	n.a.

Table 15-2
Major State Tax Expenditures Enacted Since 1982
(\$ Thousands)

<i>Year Enacted</i>	<i>Chapter</i>	<i>Description</i>	<i>1st Full Year State Cost</i>
1981		Personal income tax:	
	844	Ridesharing tax credit	\$500
	1085	Credit for conversion to alcohol fuel	500
	1050	Solar and energy conservation credit.....	50
		Bank and corporation tax:	
	844	Ridesharing tax credit	2,200
	1085	Credit for conversion to alcohol fuel	500
	1050	Solar and energy conservation credit.....	50
		Inheritance and gift taxes:	
	5	Preferential interest rate on delinquent accounts.....	60,000
1982		Personal income tax	
	1525	IRA interest exemption	20,000
	1454	Federal conformity	6,400
	1558	Exemption for excess value of employee stock options (net revenue cost)	2,900
	25	Ridesharing income exclusion	1,000
	376	Special treatment for losses	1,000
		Sales and use tax:	
	1530	Extends various medical exemptions	10,100
	951	Master tapes exemption	5,500
	1274	Custom computer programming exemption	4,800
	1423	Oxygen exemption.....	100
	301	X-Ray film, special treatment.....	40
		Motor vehicle fuel tax	
	1500	Partial exemption for handicapped services.....	100
		Motor vehicle fees:	
	46	Exempts ridesharing vehicles	64
1983		Personal income tax	
	959	Small business net operating loss carryover	2,148
	959	Bank and corporation tax	
		Small business net operating loss carryover	6,252
	1161	Hi-tech charitable contributions to correctional facilities	200
	231	Agricultural products donation.....	100
	344	Scientific property donated to higher education	100
		Sales and use tax	
	1321	Extends partial gasohol exemption	12,000
	1050	Cargo containers.....	1,000
1984		Personal income tax	
	1699	ACRS depreciation for new rental housing.....	20,000
	45	Investments in enterprise zones	1,000
	44	Incentives for businesses in enterprise zones.....	1,000
	1512	Metal finishers pollution control equipment credit	750
	1550	Interest exemption for energy authority bonds.....	50
	853	Deductions for remodeling for elderly or handicapped	50
	1467	Death while serving in combat zone.....	50
	1708	Donations for agricultural products.....	50
		Bank and corporation tax	
	1563	Ridesharing	3,000

Table 15-2—Continued
Major State Tax Expenditures Enacted Since 1982
(\$ Thousands)

<i>Year Enacted</i>	<i>Chapter</i>	<i>Description</i>	<i>1st Full Year State Cost</i>
	45	Investments in enterprise zones	1,000
	44	Incentives for businesses in enterprise zones.....	1,000
	1708	Donations of agricultural products	100
		Sales and use tax	
	1511	Exemption for mass commuting vehicles.....	5,500
	1468	Exemption for diesel fuel in commercial fishing.....	7,500
	& 445		
	1576	Exemption for auditory devices	750
	786	Expands exemption for bottled water.....	131
	1450	Exemption for oxygen delivery systems.....	143
		Motor vehicles fuel taxes	
	1663	Reduces tax for diesel fuel used by school districts.....	1,068
1985		Personal income tax	
	1573	Gain or loss recognition.....	5,000
	16	Incentive stock options.....	1,000
	1308	Contributions.....	1,000
	1190	Charitable contributions of artists	1,000
	13	Federal conformity	400
	1389	IRA deductions for alimony	250
	546	Deductions for checkoffs	130
		Exemption of Lottery winnings.....	36
		Bank and corporation tax	
	1309	Contributions.....	2,500
	1308	Contributions.....	1,000
	1423	Contributions to higher education	1,000
		Sales and use tax	
	838	Waterborne vessels exemption.....	1,800
	1197	Food exemptions	400
	1084	Producers of hay, sale of other property exclusion.....	400
	1153	Youth organizations exemption	400
	1585	Veterinary drug and medicine exemption	400
	1045	Packing ice exemption	158
	1424	Vending machines exemption.....	147
	1220	Use fuel tax prepayments repealed	140
1986		Personal income tax:	
	925	Income taxes: Interest	50
	1156	Interest exemption for state and local bonds	500
	779	Income tax exclusion for national guard	10
	54	Farming business net loss carryover.....	5,000
	1087	Continues jobs tax credits.....	175
	1444	Ridesharing tax credit	300
	1290	Tax exemption for recycling income.....	N.A.
		Bank and corporation tax:	
	54	Farming business net loss carryover.....	1,000
	324	Clean-up bill.....	300
	1087	Continues jobs tax credits.....	675
	1444	Ridesharing tax credit	875
		Sales and use tax:	
	715	Exemption for trailers with one-trip permits	200
	967	Youth organizations exemption	200
	254	Exemption for fuel sources.....	1,400

Table 15-2—Continued
Major State Tax Expenditures Enacted Since 1982
(\$ Thousands)

<i>Year Enacted</i>	<i>Chapter</i>	<i>Description</i>	<i>1st Full Year State Cost</i>
	1270	Exemption for aero-space museum	400
	1515	Exemption for special order printing.....	3,333
		Motor vehicle fuel tax:	
	216	Reduces tax for fuel used by school districts	1
	510	Partial fuel tax exemption for tour buses.....	45
1987		Personal income tax:	
	1138	Commercial solar energy credit.....	5,000
	1138	Low income housing credit	35,000
	1138	Research and development credit	2,000
	1138	Capital gains credit for farm and residential rental property.....	28,000
		Bank and corporation tax:	
	1139	Commercial solar energy credit.....	4,000
	1139	Low income housing credit	2,000
	1139	Research and development credit	25,000
	1139	Orphan drugs credit	1,000
		Sales and Use Tax	
	1300	Partial exemption for vending machine sales.....	13,200
	1103	Food stamp purchases	3,700
	1352	Diesel fuel used in commercial fishing	640
	384	Biomechanical foot orthoses	225
	1471	Modifications made to vehicles for handicapped persons.....	225

Table 15-3
Identifiable State Tax Expenditures
1988-89
(In Millions)

Personal Income Tax

Employer contributions to pension plans.....	\$2,120
Employer contributions to health plans.....	1,087
Charitable contributions.....	652
Interest expense (nonmortgage).....	515
Property and vehicle taxes.....	500
Social Security and railroad retirement income.....	496
Deferral of capital gains on home sales.....	336
IRA and self-employed retirement plans.....	234
Capital gains at death.....	200
Compensation for injuries or sickness.....	180
Exclusion of capital gains on residences for persons aged 55 and over.....	90
Child care credit.....	76
Employer contributions to life insurance.....	74
Low income credit.....	56
Unemployment insurance benefits.....	46
Senior citizen credit.....	43
Solar energy credit.....	42
Low income housing credit.....	35
Interest on government bonds (State and Local).....	34
Exemption for lottery winnings.....	29
Exclusion of scholarship/fellowship income.....	29
Meals and lodgings furnished by employer (other than military).....	28
Capital gains credit for sales of farm and residential rental property.....	28
Moving expense.....	25
Percentage depletion.....	23
Credit for the elderly.....	8
Military credit.....	7
Political contribution credit.....	7
Energy conservation credit.....	5
Total.....	<u>\$7,005</u>

Sales and Use Tax

Vessels and aircraft.....	\$409
Cargo and returnable containers.....	219
Candy.....	80
Custom computer programs.....	52
Newspapers and periodicals.....	51
Leases of motion pictures.....	40
Option to pay on cost rather than rental receipts.....	31
Bottled water.....	25
Student meals.....	13
Printed advertising.....	8
Master records and tapes.....	6
Monetized bullion.....	6
Sales by charitable organizations.....	5
Total.....	<u>\$945</u>
Local government revenue loss.....	\$249

Table 15-3—Continued
Identifiable State Tax Expenditures
1988-89
(In Millions)

Bank and Corporation Tax

S-corporations.....	\$298
Expensing-Research, Exploration & Development Costs.....	234
Charitable contributions.....	47
Exempt corporations (from minimum tax only).....	29
Solar energy credit.....	14
Percentage depletion.....	14
Total.....	\$636

Other Taxes

Motor vehicle fuel taxes	
Aircraft jet fuel used by common carriers and military.....	\$61
Public transit and school district diesel fuel.....	7
Total.....	\$68
Insurance	
Nonprofit hospital service plans.....	\$233
Pensions and profit-sharing.....	41
Total.....	\$274
Cigarette tax	
Sales to military.....	\$8

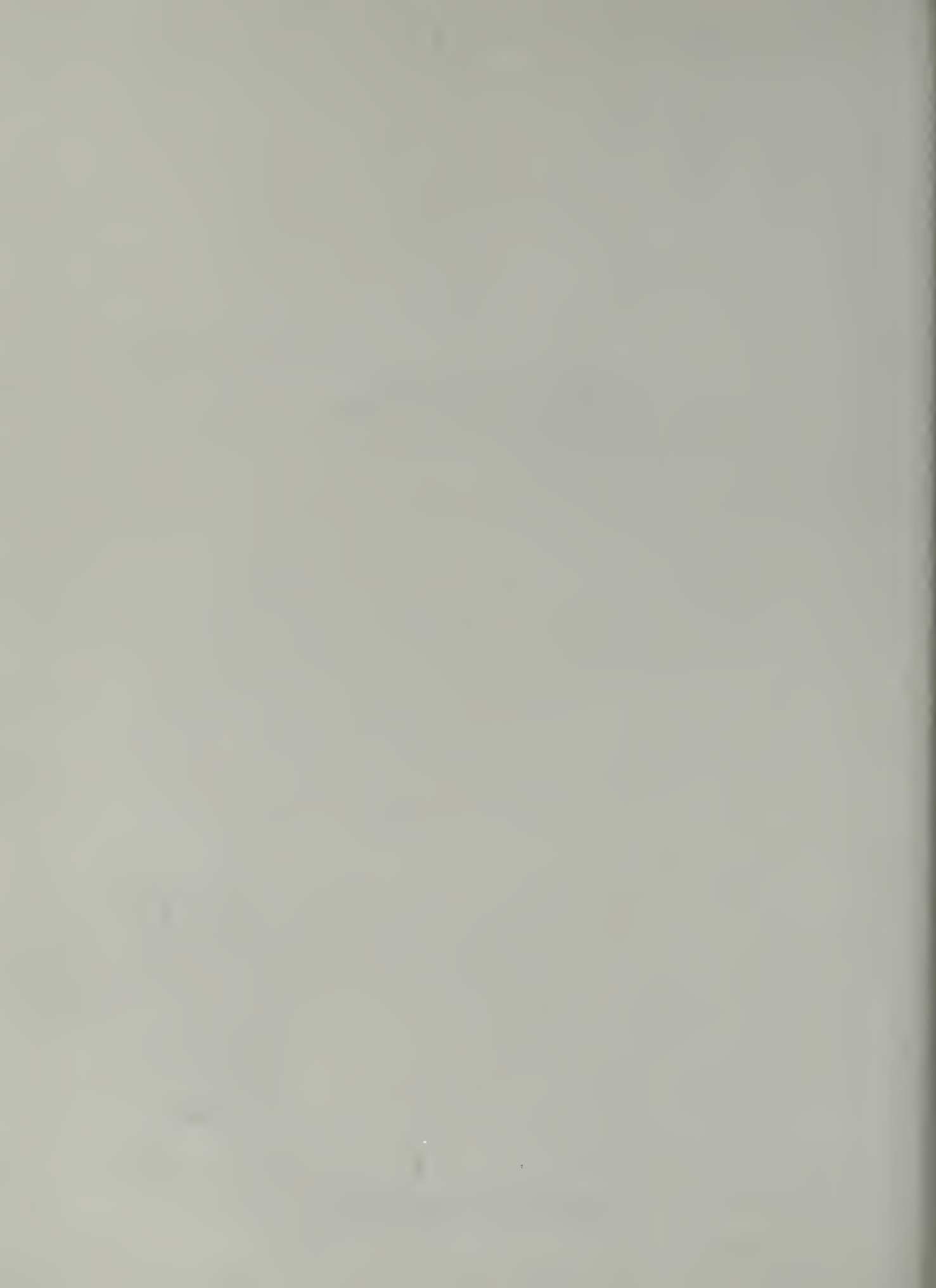
Table 15-4
Property Tax Exemptions
1988-89
(In Millions)

Open space, timber land, historical property.....	\$85
Computer programs.....	16
Air carrier ground time.....	8
Disabled veterans.....	5
Total.....	\$114



Appendix





Budgetary Process

The Governor's Budget is the result of a process which begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in population, caseload or enrollment estimates, the Department of Finance proposes adjustments to the Legislature during the budget hearings through Finance Letters. During late spring, usually May and June, the Department of Finance submits revised expenditure and revenue estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. The Department of Finance provides a further update on revenues and expenditures to the Legislature during August. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued By	When
Budget Letters and Management Memos	Convey Administration guidelines for budget preparation to agencies and departments.	Governor/Department of Finance	April through December
Budget Change Proposals	Proposes and documents budget changes to maintain the existing level of service or to change the level of service.	Agencies and departments submit to Department of Finance for analysis	July through September
Governor's Budget	Governor proposes budget for the upcoming fiscal year.	Governor/Department of Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Department of Finance	January 10
Budget Bill	Requests spending authorization to carry out Governor's expenditure plan (Legislative budget decision document.)	Department of Finance/Legislature	January 10
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
Budget Update	Compilation of Budget Change letters sent to Fiscal Committees.	Department of Finance	March
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures and reserve estimates based on the latest economic forecast.	Department of Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes.	Legislature/Governor	Late June
Supplemental Report of the Committee on Conference on the Budget Bill	Contains language on statements of intent and requests for information or studies.	Legislative Analyst	Early July
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including summary budget schedules.	Department of Finance	Mid-July
Final Change Book	Update of the changes to the detailed fiscal information in Governor's Budget in accordance with the Budget Act.	Department of Finance	Late July
Budget Update	Update of General Fund Revenues	Department of Finance	August
General Fund Update and Financial Legislation Report	Update of revenue and expenditure estimates, including financial legislation.	Department of Finance	November/December

Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary and the annual Budget (Appropriations) Bill. Definitions are provided for terminology which is common to all activities. For definitions of terms peculiar to a specific program area, please refer to the individual budget presentation of interest.

The definitions of other budget-related terms may be found in the State Administrative Manual and in the annual Budget Bill.

Administration Program:

An accounting for departmental central management costs. These include such costs as the Director's Office, Legal Office, Personnel Office, Accounting and Business Services functions that generally serve the whole department.

"Administration-distributed" represents those costs which are more properly distributed to the program activities of an agency as indirect costs.

Allocation:

A distribution of funds, or an expenditure limit established for an organization unit.

Allotment:

A part of an appropriation, to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line-item expenditure basis.

Appropriation:

An authorization from a specific fund to a specific agency to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations, or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made

by the Legislature in the annual Budget Act and in other legislation. Continuing appropriations (which require no subsequent legislative action) are also provided by the California Constitution.

Appropriations Limit:

As defined in Section 8 of Article XIII B of the California Constitution, enacted by the passage of Proposition 4 at the November 6, 1979 general election, the growth in the level of certain appropriations from tax proceeds are generally limited to the level of the prior year's appropriation limit as adjusted for changes in cost of living and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another.

Augmentation:

An increase in an allotment. A control section of the Budget Act authorizes the increase in expenditures for a category or project by transfer from any other category or project within the same schedule. A separate section of the Budget Act authorizes the augmentation of scheduled amounts from other departments, and from the federal government to the extent such funds have not been taken into consideration in the appropriation schedules. Both control sections require the reporting of specified augmentations to the chairperson of the committee in each house which considers appropriations and to the Chairperson of the Joint Legislative Budget Committee.

Authorized Positions:

Those ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized positions by classification is published

in the Salaries and Wages Supplement for each agency. Changes in authorized positions are listed following each agency's budget presentation in the Governor's Budget. (See Proposed New Positions.)

Balance Available:

Amount available for appropriation or encumbrance. It is the excess of cash and near-cash assets of a fund over its liabilities and reserves; or commonly called surplus available for appropriation. It is also the unobligated balance of an appropriation which may be encumbered for the purposes of the specific appropriation.

Baseline Budget:

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It includes adjustment for cost increases, but does not include changes in level of service over that authorized by the Legislature.

Budget, Program/Traditional:

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations, Local Assistance and Capital Outlay for each department, as well.

Budget Bill/Act:

The Budget Bill is prepared by the Department of Finance and is sub-

mitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's request for spending authorization for the subsequent fiscal year for on-going programs authorized by the Legislature. The Constitution requires the Legislature to pass the Budget Bill and send it by June 15 each year to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act.

Budget Change Proposal (BCP):

A proposal to change the level of service or funding sources for activities authorized by the Legislature, or propose new program activities not currently authorized.

Budget Year (BY):

The next fiscal year beginning July 1 and ending June 30 for which the Governor's Budget is submitted. The year following the current fiscal year.

Capital Outlay:

Expenditures which result in the acquisition of or addition to major fixed assets (e.g., land, buildings and equipment related to construction).

Carryover Appropriations:

Appropriations with balances available for expenditure in years subsequent to the year of enactment.

Category:

A grouping of related objects of expenditure (goods or services). Such groupings are primarily Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

Category Transfer:

A control section of the Budget Act provides that the Department of Finance is authorized to augment any category by transfer from any other category within the same appropriation item schedule.

Augmentations of personal services and operating expenses and equip-

ment categories generally cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for support appropriations which exceed \$2,000,000. (See Category.)

Changes in Authorized Positions:

A statement included in each budget presentation in the Governor's Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established and reclassifications). It also includes proposed new positions for the budget year.

Character of Expenditure:

A classification of expenditures. (See State Operations, Local Assistance or Capital Outlay.)

Codes, Uniform:

A set of codes, used in all major fiscal systems of California State government, which has been established to identify organizations, programs, funds, appropriation structures, receipts and line-item objects of expenditure. The Uniform Codes Manual, published by the Department of Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

Continuing Appropriation:

Amount, actual or estimated, available each year under a permanent constitutional or statutory expenditure authorization which is automatically renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or it may be whatever amount is required for the purpose as determined by formula—such as school apportionments.

Control Sections, Budget Act:

The Budget Act is divided into

sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act. Section 2.00 contains the itemized appropriations for support of the State of California. Sections 4.00 through 36.00 are general sections, also referred to as control sections, which place additional restrictions on one or more of the itemized appropriations contained in Section 2.00.

Cost of Living Adjustments (COLAs). Statutory/Discretionary:

Increases provided in state-funded programs which include periodic adjustments predetermined in state law (statutory), e.g., K-12 education apportionments; and adjustments which may be established at optional levels (discretionary) by the Legislature each year, e.g., Urban Impact Aid.

Current Year (CY):

The fiscal year beginning July 1 and ending June 30. The time period we are in now.

Encumbrance:

A limitation or reserve placed on an appropriation to pay for goods or services which have been ordered by means of contracts, salary commitments, etc., but not yet received.

Expenditure:

Generally, this term designates the amount of an appropriation used for goods and services ordered and received whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

Federal Funds:

In state budget usage, this term describes all funds received directly from an agency of the federal government but not those received through another state department.

State agencies must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

Final Budget:

The final budget is the Governor's Budget as amended by action taken on the Budget Bill. A Final Change Book is published by the Department of Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of item veto. It includes a detailed list of changes by item number.

Finance Letters:

Proposals made by the Director of Finance to the chairpersons of the committees in each house which consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the Budget Year.

Fiscal Year (FY):

A 12-month state accounting period which varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current and budget years.

The state fiscal year is often referenced by the first calendar year of the fiscal year, e.g., "'81" or "1981" means the 1981-82 fiscal year. By contrast, the federal 1981-82 fiscal year is often referenced as "'82" or "1982," and lasts from October 1 through September 30.

Fund Balance:

Excess of the assets of a fund over its liabilities and reserves. (See Balance Available, Special Fund for Economic Uncertainties and Surplus.)

Fund Condition Statement:

A statement included in the Governor's Budget for each special fund, special accounts in the General Fund, selected bond funds and Governmental Cost funds to disclose the fund assets, liabilities, reserves and surplus.

Funds:

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves and surplus (fund balance), as well as its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures. (See "Description of Fund Classifications in State Treasury.")

General Fund:

The General Fund is the predominant fund for financing State operations. It is used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax and bank and corporation taxes. A complete itemization of the revenue sources are listed in Schedule 8. The General Fund is used as the major funding source for education (K-12 and higher education), health and welfare programs, youth and adult correctional programs and tax relief. Schedule 9 provides a listing of expenditures for the General Fund.

Item:

(See Appropriation.)

Governmental Cost Funds:

(See Special Funds.)

Limited-Term Positions:

A limited-term position is any position which has been authorized

for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget enactment process or in transactions approved by the Department of Finance.

Line Item:

(See Objects.)

Local Assistance:

Expenditures made for the support of local government activities.

Local Mandates:

(See State-Mandated Local Program.)

Merit Salary Adjustment:

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of 5 percent per year to recognize proficiency in the work performed up to the upper salary limit of the work classification.

Minor Capital Outlay:

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than \$200,000.

Objects (line items):

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items as State Employees' Retirement, Workers' Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department's budget in the Governor's Budget for State Operations, Local Assistance and Capital Outlay expenditures. The Department of Finance publishes a Uniform Codes Manual which reflects the standard line-item objects of expenditure.

Past Year (PY):

The fiscal year just completed. (See Fiscal Year.)

Personnel Years:

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position which was filled by an employee for half of a year would result in an expenditure of 0.5 personnel years.

Positions:

(See Authorized Positions.)

Programs:

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks (the lowest defined program activity).

Proposed New Positions:

A request for an authorization to expend funds for the employment of additional people for the performance of work. Proposed new positions may be for limited-time periods (limited term) and for full or less than full-time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed.

Reappropriation:

The extension of the availability of an appropriation for expenditure beyond its set termination date and/or for a new purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time.

Receipts:

Describes an increase in the assets of a fund including revenues as well as transfers from other funds, federal receipts and fund reimbursements.

Reconciliation With Appropriations:

A statement in each budget presentation which sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance and Capital Outlay.

Reimbursements:

Amount received as a repayment of the cost of work, or service performed, or of other expenditures made for or on behalf of another governmental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

Special Fund for Economic Uncertainties:

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties and a reserve in each special fund to provide for emergency situations. The appropriation of such funds from the reserves are not subject to the appropriation limits imposed on other appropriations. (See Appropriations Limit.)

Reserve:

An amount set aside in a fund to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, for pending salary or price increase appropriations and appropriation for capital outlay projects.

Revenue:

The addition to cash or other current assets of governmental funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Gener-

ally, revenue is derived from taxes, licenses and fees or investment earnings.

Reversion:

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years after the last day of availability for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

Salary Savings:

Salary savings reflect personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past year experience.

Special Funds:

Special funds is a generic term used for "governmental cost funds" other than the General Fund. Governmental cost funds generally are commonly defined as those funds used to account for revenues from taxes, licenses and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of special funds are the transportation funds, fish and game funds and the professions and vocation funds. Revenues and expenditures of special funds are summarized in Schedules 8, 9 and 10.

Staff Benefits:

The staff benefits object represents the state costs of contributions for employees' retirement, OASDI, health and welfare benefits, workers' compensation, unemployment insurance, industrial disability leave benefits and nonindustrial disability leave benefits.

State-Mandated Local Program:

State reimbursements to local governments for the cost of activities required by legislative and execu-

tive acts. This requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the November 6, 1979 general election. (See Governor's Budget: 8885 Commission on State Mandates.)

State Operations:

Expenditures for the support of State government, exclusive of capital investments and expenditures for local government activities.

Summary by Object:

A summary of actual past year and estimated current and budget year expenditures for goods and services for each organization presented for State Operations, Capital Outlay and Local Assistance expenditures.

Summary of Program Requirements:

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals and source of funds for the past, current and budget years.

Summary Schedules:

The Governor's Budget includes schedules which summarize state revenues, expenditures and other fiscal and personnel data for the past, current and budget years. (See Schedules 1-13.)

Tax Expenditures:

Subsidies provided through the taxation systems.

Transfers:

As reflected in fund condition statements, reflects the movement of resources from one fund to another based on statutory authorization or specific legislative transfer appropriation authority.

Description of Key Schedules

The Budget includes summary information in various schedules. The following schedules are those which may be the most useful for the public, private sector, or other levels of government.

SCHEDULE 1. *General Budget Summary*—Provides for a fund condition statement for the General Fund and the total of the Special funds plus expenditure totals for the Selected Bond funds.

SCHEDULE 2. *Total State Spending Plan*—Provides in a single schedule the State's total spending plan. In addition to the General Fund, Special funds, and Selected Bond funds, expenditures from Nongovernmental Cost funds and Federal funds are shown.

SCHEDULE 3A. *Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classifications*—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

SCHEDULE 3B. *Comparison of California's Current Fund Structure to Recommended GAAP Fund Classifications*—Provides a comparison of California's Current Fund Structure to recommended GAAP Fund Classifications.

SCHEDULE 4. *Personnel Years and Salary Cost Estimates*—Provides position and personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

SCHEDULE 4A. *Positions and Salary Cost Estimates*—Provides position and personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects gross data before salary savings.

SCHEDULE 4B. *Personnel Years and Salary Costs*—Provides expended personnel years and salary costs for fiscal years 1984–85, 1985–86 and 1986–87.

SCHEDULE 5. *Summary of State Population, Employees, and Expenditures*—Provides historical data of State population, employees and expenditures.

SCHEDULE 6. *General Fund Balances Available for Appropriation*—Provides a comparison of the 1986–87 and 1987–88 General Fund amounts presented in the 1988–89 Governor's Budget to the amounts presented for those years in the 1987–88 Governor's Budget.

SCHEDULE 7. *General Fund: Statement of Financial Condition*—Provides the financial condition of the General Fund as of June 30, 1987 from the most recently available information from the State Controller.

SCHEDULE 8. *Comparative Statement of Revenues*—Provides General Fund and Special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

SCHEDULE 9. *Comparative Statement of Expenditures*—Provides a listing of expenditures in the order of printing of individual budgets from the General Fund, Special funds, Selected Bond funds and Federal funds for State operations, local assistance and capital outlay.

SCHEDULE 10. *Summary of Fund Condition Statements*—Provides for the General Fund and each Special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

SCHEDULE 11. *Statement of Cash and Securities*—Provides a

listing of cash, securities and amounts due from the Surplus Money Investment Fund for all funds maintained in the State Treasury.

SCHEDULE 12. *Comparative Statement of Expenditures as Required by Law*—Provides a listing of expenditures authorized by constitutional or statutory appropriation authority.

SCHEDULE 13. *Statement of Bonded Debt*—Provides a listing of all general obligation bonds as of December 31, 1987 including interest rates, maturity dates, authorized amount of bond issues, unsold issues, redemptions and outstanding issues.

SCHEDULE 14A. *Statement of Revenues to Funds Excluded from the State Appropriations Limit*—Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 14B. *Non-tax Revenues in Funds Subject to Limit*—Provides a total of non-tax revenues for General and Special funds deposited in funds that are included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 14C. *Amounts Excluded as Debt Service, Subventions and Mandates*—Provides a listing of appropriations from funds that are included within the calculation of appropriations subject to the State Appropriations Limit but are excluded from the calculation.

SCHEDULE 14D. *Expenditures Subject to Limit by Agency*—Provides a distribution of actual gross appropriations that are subject to the limit. (Chart includes the appropriation of non-tax revenues in subject funds.)

Description of Fund Classifications in the State Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Schedules 10 and 11 provide a complete list of these funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals. In 1981-82 the State of California began to change classification of funds in the state treasury to conform to Generally Accepted Accounting Principles as set forth by the National Council on Governmental Accounting. Schedule 3 includes a description of these changes and shows their effect on the 1988-89 budget totals.

General Fund. Used to account for all revenues and activities financed therefrom which are not required by law to be accounted by any other fund. Most state expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues which are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions and vocations; transportation; law enforcement and capital outlay.

General Fund Special Accounts. Legislatively created accounts or

dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds and revenues and expenditures are included in the special funds totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures and reserves.

Other Funds. See Schedule 11 for a list of funds which do not represent a cost of government. Expenditures from these funds are not included in the budget totals. They consist of moneys which were derived from sources other than general or special taxes, licenses, fees or other state revenues. Included are receipts from the Federal Government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

Working Capital and Revolving Funds. Funds created to finance internal service activities rendered by a state agency to other state agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

Public Service Enterprise Funds. Self supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses or other state revenues.

Bond Funds. Used to account for the receipt and disbursement of

proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

Retirement Funds. Moneys held in trust by the State for retirement benefit payments.

Trust and Agency Funds. Funds holding moneys in trust pending disbursements to trustors, moneys received from the Federal Government to be expended for specific purposes, and other funds which do not derive their sources from taxes or other state revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements which are not necessarily revenues or expenditures.

Selected Bond Funds. Included in the overall expenditures totals of Schedules 1 and 9 for budget purposes are expenditures from the following funds:

Bond Proceeds Account, State School Building Lease-Purchase Fund.

California Safe Drinking Water Fund.

California School Finance Authority Fund.

Community Parklands Fund.

County Jail Capital Expenditure Fund, Bond Act of 1981.

County Jail Capital Expenditure Fund, Bond Act of 1984.

Fish and Wildlife Habitat Enhancement Fund.

Health Science Facilities Construction Program Fund.

Higher Education Capital Outlay

Bond Fund.
Lake Tahoe Acquisitions Fund.
New Prison Construction Fund.
New Prison Construction Revenue
Fund.
Parklands Fund of 1980.
Parklands Fund of 1984.
Recreation and Fish and Wildlife
Enhancement Fund.
Refunding Escrow Fund.
Santa Monica Mountains Conser-
vation Fund.
State Beach, Park, Recreational and
Historical Facilities Fund of
1964.
State Beach, Park, Recreational and
Historical Facilities Fund of
1974.
State Clean Water Fund.
State Clean Water and Water Con-
servation Fund.
State Coastal Conservancy Fund of
1984.
State Construction Program Fund.
State, Urban and Coastal Park
Fund Bond Act of 1976.
1986 County Correctional Facilities
Expenditure Fund.
1988 Higher Education Capital
Outlay Bond Fund.
1984 Prison Construction Fund.
1986 Prison Construction Fund.
1988 Prison Construction Fund.
1984 State Clean Water Bond
Fund.
Superconducting Super Collider
Development Fund.
1986 Toxics Bond Fund.
1986 Water Conservation Water
Quality Bond Fund.

Schedule 1
GENERAL BUDGET SUMMARY ^a
(In thousands)

	<i>Reference to Schedule</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Budget Expenditure Totals</i>	<i>Selected Bond Fund Expenditures</i>	<i>Expenditure Totals Including Bonds</i>
<i>1986-87 ^b</i>						
Prior year resources available.....	10	\$714,111	\$1,973,578			
Revenues and transfers.....	8	32,518,868	5,248,114			
Expenditures.....	9	31,469,006	5,649,486	\$37,118,492	\$961,255	\$38,079,747
Fund Balance	7	\$1,763,973	\$1,572,206			
<i>Unencumbered balance of continuing</i>						
<i>appropriations.....</i>		76,828	414,135			
<i>Disaster Response—Emergency Operations</i>						
<i>Account.....</i>		1,598	—			
<i>Special Fund for Economic Uncertainties ^c</i>		547,547	—			
<i>Reserves for Economic Uncertainties ^c</i>	—	—	1,158,071			
<i>November Estimate—Tax Rebate per Article</i>						
<i>XIII B ^d</i>		1,096,000	—			
<i>December Adjustment—Tax Rebate per</i>						
<i>Article XIII B ^d</i>		42,000	—			
<i>1987-88</i>						
Prior year resources available.....	7	\$625,973	\$1,572,206			
Revenues and transfers	8	33,678,404	5,600,775			
Expenditures	9	33,342,628	6,157,633	\$39,500,261	\$2,399,385	\$41,899,646
Fund Balance	10	\$961,749	\$1,015,348			
<i>Unencumbered balance of continuing</i>						
<i>appropriations.....</i>	—	25,476	128,283			
<i>Disaster Response—Emergency Operations</i>						
<i>Account.....</i>	—	1,410	—			
<i>Special Fund for Economic Uncertainties ^c</i>	—	934,863	—			
<i>Reserves for Economic Uncertainties ^c</i>	—	—	887,065			
<i>1988-89</i>						
Prior year resources available.....	10	\$961,749	\$1,015,348			
Revenues and transfers	8	36,248,516	5,976,940			
Expenditures	9	36,100,541	6,259,946	\$42,360,487	\$1,936,676	\$44,297,163
Fund Balance	10	\$1,109,724	\$732,342			
<i>Unencumbered balance of continuing</i>						
<i>appropriations.....</i>	—	—	—			
<i>Disaster Response—Emergency Operations</i>						
<i>Account.....</i>	—	20,000	—			
<i>Special Fund for Economic Uncertainties ^c</i>	—	1,089,724	—			
<i>Reserves for Economic Uncertainties ^c</i>	—	—	732,342			

^a The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of State government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded.

^b Due to lack of time for complete reconciliation to the State Controller's preliminary fiscal data for their annual report, the amounts reflected in the 1986-87 fiscal year may not agree with the data which will be included in the State Controller's Annual Report. In addition, amounts included in this schedule for expenditures may not agree with those shown in Schedules 9, 10 and 12 due to rounding.

^c The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet State General Fund and Special Funds obligations in the event of a decline in revenues or an unanticipated increase in expenditures.

^d Although the tax rebate pursuant to Article XIII B was refunded to the taxpayers during the 1987-88 fiscal year, these amounts are not carried forward to 1987-88 in this display as they were held in trust pending authorization for return to the taxpayers.

Schedule 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are (1) funds are accounted for in a different manner, (2) duplication of expenditures result, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in two parts. Part A summarizes those expenditures from funds traditionally included in budget totals; Part B summarizes expenditures from the other funds which are collectively identified as nongovernmental cost funds. Schedule 2, in either part, does not include reimbursements received from the public or other levels of government, as these are deducted from State expenditures.

Total State Spending Plan—Part A Governmental Cost, Selected Bond Funds and Federal Funds

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds which are commonly referred to as "governmental cost funds." This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The Federal funds have also been included in Part A because of increasing interest in the level of the State's expenditure of Federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and Federal funds is shown in Schedule 9.

<i>Funds</i>	<i>1986-87*</i>	<i>1987-88*</i>	<i>1988-89*</i>
Governmental Cost Funds:			
General Fund	\$31,469,006	\$33,342,628	\$36,100,541
Special Funds	5,649,486	6,157,633	6,259,946
Totals, Governmental Cost Funds.....	\$37,118,492	\$39,500,261	\$42,360,487
Selected Bond Funds.....	961,255	2,399,385	1,936,676
Totals, Governmental Cost Funds and Selected Bond Funds	\$38,079,747	\$41,899,646	\$44,297,163
Federal Funds	14,744,673	16,098,004	17,231,834
TOTALS	\$52,824,420	\$57,997,650	\$61,528,997

Total State Spending Plan—Part B Nongovernmental Cost Funds

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees or other state revenues. Although Federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than Federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

<i>Funds</i>	<i>1986-87 Amount</i>	<i>1987-88 Amount</i>	<i>1988-89 Amount</i>
PUBLIC SERVICE ENTERPRISE FUNDS:			
Water Resources Development Bond Fund	\$231,224	\$270,284	\$263,565
Central Valley Water Project Const Fund	114,262	105,987	132,409
Central Valley Water Project Revenue Fund	187,245	213,816	255,671
Compensation Insurance Fund	1,143,643	1,450,000	1,715,000
Harbors and Watercraft Revolving Fund	34,640	34,906	32,896
Univ & College Cont Educ Revenue Fund, St.	42,804	41,623	44,176
Unemployment Compensation Disability Fund	1,385,459	1,442,072	1,475,965
Veterans Farm & Home Building Fund 1943.....	792,450	1,092,585	1,204,990
Others.....	231,672	305,581	237,746
* Totals, Public Service Enterprise Funds	\$4,163,399	\$4,956,854	\$5,362,418
WORKING CAPITAL AND REVOLVING FUNDS:			
Architecture Revolving Fund.....	15,762	15,004	13,143
Health and Welfare Agency Data Cent Rev Fund	45,115	54,613	58,028
Service Revolving Fund.....	287,444	275,768	286,024
Stephen P. Teale Data Center Rev Fund.....	52,175	54,393	58,933
Others.....	24,650	124,206	33,883
* Totals, Working Capital and Revolving Funds.....	\$425,146	\$523,984	\$450,011
BOND FUNDS—OTHER:			
School Building Aid Fund, State.....	166,768	155,359	132,324
Others.....	—14,946	55,145	61,033
* Totals, Bond Funds—Other.....	\$151,822	\$210,504	\$193,357
RETIREMENT FUNDS:			
Judges' Retirement Fund	38,625	40,157	45,213
Legislators' Retirement Fund.....	3,784	4,120	4,545
Public Employees' Retirement Fund.....	1,750,187	1,912,089	2,097,912
Teachers' Retirement Fund.....	1,137,998	1,250,373	1,372,465
* Totals, Retirement Funds	\$2,930,594	\$3,206,739	\$3,520,135
OTHER NONGOVERNMENTAL COST FUNDS:			
Transportation Revolving Account, STF	1	—	—
Highway Construction Revolving Account.....	—	—	25,000
University Funds	2,229,959	2,601,695	2,151,485
Others.....	5,433,815	5,862,581	5,814,921
* Totals, Other Nongovernmental Cost Funds	\$7,663,775	\$8,464,276	\$7,991,406
TOTALS, ALL NONGOVERNMENTAL COST FUNDS	\$15,334,736	\$17,362,357	\$17,517,327

* Dollars in thousands

IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Implementation of Chapter 1286, Statutes of 1984 (AB 3372), requires the state to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs.

The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators and other readers are consistent from year to year as well as comparable between governmental entities.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for activities and transactions of state and local governmental entities. The State of California currently is a dues-paying member of the GASB organization and provides input for the various issues being studied by GASB.

An effort is currently underway within the Department of Finance to ensure that the budget and financial statements of the state are more understandable and are presented in a fair and consistent manner through the application of Generally Accepted Accounting Principles.

The Department of Finance has taken the following actions to implement GAAP in conformance with Chapter 1286, Statutes of 1984 (AB 3372):

1. A work group has been established to review the changes required by GAAP and to establish priorities and task assignments.
2. The 1986-87 Governor's Budget and Budget Act changed the classification of student fees in the California State University System to revenue rather than reimbursements. This conforms to GAAP requirements.
3. The 1986-87 Governor's Budget and Budget Act changed the classification of State Hospital Medical Care receipts to reimbursements rather than revenue. This conforms to GAAP requirements.
4. Effective with the 1987-88 Governor's Budget, the interest and redemption costs of general obligation bonds are being shown in the relevant program area for each bond.
5. A task Force has been established as required by Chapter 1366, Statutes of 1986 (AB 3921), to review the accounting of Internal Service Funds and recommend changes to bring their accounting into compliance with GAAP.
6. The Financial and Performance Accountability Unit (FPA) of the Department of Finance is currently rewriting the sections of the State Administrative Manual (SAM) covering proprietary funds to bring them into conformance with GAAP.
7. The "Fund Manual" for California has been rewritten to bring it into conformance with GAAP.
8. An effort is currently underway to determine the specific impacts on the Governor's Budget format that will result from changing the State's fund structure to conform to GAAP. It is anticipated that GAAP fund classifications will be used in the 1989-90 Governor's Budget key summary schedules.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 1988-89 budget totals to show California's current fund structure compared to recommended GAAP classifications.

SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)

	1986-87	1987-88	1988-89
Governmental Funds			
General Fund	\$31,469,006	\$33,342,628	\$36,100,541
Special Revenue Funds	12,611,144	13,961,633	14,895,546
Capital Project Funds	816,037	1,760,646	1,752,892
Total Governmental Funds	\$44,896,187	\$49,064,907	\$52,748,979
Proprietary Funds			
Enterprise Funds	2,716,897	3,582,195	3,864,789
Internal Service Funds	398,007	399,985	419,631
Total Proprietary Funds	\$3,114,904	\$3,982,180	\$4,284,420
Fiduciary Funds			
Retirement Funds	2,930,596	3,206,739	3,520,135
Trust and Agency Funds—Other	4,851,888	5,694,885	5,410,526
Trust and Agency Funds—Federal	2,428,263	2,623,856	2,581,341
Total Fiduciary Funds	\$10,210,747	\$11,525,480	\$11,512,002
Funds Outside State Treasury			
Other	9,937,323	10,787,440	10,500,923
Total Funds Outside State Treasury	\$9,937,323	\$10,787,440	\$10,500,923
TOTAL SPENDING, ALL FUNDS	\$68,159,161	\$75,360,007	\$79,046,324

SCHEDULE 3B
COMPARISON OF CALIFORNIA CURRENT
FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE
USING 1988-89 BUDGET TOTALS
(In Thousands)

FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS

	<i>Governmental Funds</i>				<i>Proprietary Funds</i>		<i>Fiduciary Funds</i>		<i>Funds Outside State Treasury</i>	<i>Totals</i>
	<i>General Fund</i>	<i>Special Revenue Funds</i>	<i>Capital Projects Funds</i>	<i>Total Governmental Funds</i>	<i>Enterprise Funds</i>	<i>Internal Service Funds</i>	<i>Retirement Funds</i>	<i>Trust and Agency Funds</i>		
CURRENT FUND STRUCTURE										
Governmental Cost Funds										
General Fund	\$36,100,541	-	-	\$36,100,541	-	-	-	-	-	\$36,100,541
General Fund Special Accounts	-	\$372,394	-	372,394	\$42,407	\$11,168	-	\$34,938	-	460,907
Transportation Funds	-	2,173,665	-	2,173,665	-	-	-	2,585,259	-	4,758,924
Feeder Funds	-	-	-	-	-	-	-	75,158	-	75,158
Other Governmental Cost Funds	-	932,926	\$3,581	936,507	-	-	-	53,450	-	989,957
Total Governmental Cost Funds	\$36,100,541	\$3,478,985	\$3,581	\$39,583,107	\$42,407	\$11,168	-	\$2,748,805	-	\$42,385,487
Selected Bond Funds	-	-	1,727,368	1,727,368	-	-	-	209,308	-	1,936,676
Total Governmental Cost Funds and Selected Bond Funds	\$36,100,541	\$3,478,985	\$1,730,949	\$41,310,475	\$42,407	\$11,168	-	\$2,958,113	-	\$44,322,163
Nongovernmental Cost Funds										
Public Service Enterprise Funds	-	-	8,290	8,290	\$3,786,725	-	-	1,567,403	-	5,362,418
Working Capital and Revolving Funds	-	11,625	13,504	25,129	14,803	408,463	-	1,616	-	450,011
Bond Funds—Other	-	-	149	149	-	-	-	193,208	-	193,357
Trust and Agency Funds:										
Retirement Funds	-	-	-	-	-	-	\$3,520,135	-	-	3,520,135
Trust and Agency Funds—Federal	-	11,395,500	-	11,395,500	-	-	-	2,581,341	\$3,254,993	17,231,834
Trust and Agency Funds—Other	-	9,436	-	9,436	20,854	-	-	690,186	-	720,476
Other Nongovernmental Cost Funds	-	-	-	-	-	-	-	-	7,245,930	7,245,930
Total Nongovernmental Cost Funds	-	\$11,416,561	\$21,943	\$11,438,504	\$3,822,382	\$408,463	\$3,520,135	\$5,033,754	\$10,500,923	\$34,724,161
TOTAL SPENDING, ALL FUNDS	\$36,100,541	\$14,895,546	\$1,752,892	\$52,748,979	\$3,864,789	\$419,631	\$3,520,135	\$7,991,867	\$10,500,923	\$79,046,324

SCHEDULE 4
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(dollars in thousands)

<i>Function</i>	<i>1987-88 Fiscal Year</i>		<i>1988-89 Fiscal Year</i>	
	<i>Personnel Years¹</i>	<i>Net Salaries and Wages</i>	<i>Personnel Years¹</i>	<i>Net Salaries and Wages</i>
Legislative/Judicial/Executive:				
Legislative.....	504.5	\$18,200	511.5	\$19,683
Judicial.....	1,532.9	93,061	2,353.2	148,184
Executive.....	8,828.2	284,120	9,180.3	301,692
State and Consumer Services.....	12,451.6	351,166	12,607.4	364,554
Business, Transportation and Housing.....	34,153.7	1,108,057	35,799.4	1,195,592
Resources.....	14,675.8	492,345	14,991.9	515,663
Health and Welfare.....	38,456.8	1,125,841	39,664.9	1,191,552
Youth and Adult Correctional.....	26,260.8	914,310	28,379.8	1,009,796
Education:				
Education.....	2,715.9	82,297	2,747.8	86,091
Higher Education.....	93,140.5	3,378,251	94,658.6	3,509,586
Unallocated salary increase.....	—	371	—	82,677
General Government:				
General Administration.....	10,447.0	332,438	11,038.2	359,000
Unallocated salary increase—Other.....	—	1,578	—	152,995
NET TOTALS.....	243,167.7	\$8,182,035	251,933.0	\$8,937,065
<i>Position Classification</i>				
Constitutional Officers.....	127.0	5,339	127.0	6,129
Statutory.....	227.5	19,671	238.5	20,781
Civil Service.....	147,414.2	4,650,655	153,870.0	4,985,750
Trial Court Judges—part salary.....	725.0	54,544	1,354.0	99,093
Exempt—Other.....	2,118.3	90,016	2,298.7	100,130
Exempt—Higher Education:				
University of California.....	56,052.0	2,079,510	56,574.0	2,142,414
Auxiliary Enterprises—University of California.....	2,719.0	63,021	2,719.0	63,021
Hastings College of Law.....	211.7	8,990	211.7	9,710
State University.....	33,573.0	1,208,340	34,540.1	1,274,365
Unallocated salary increase.....	—	371	—	82,677
Unallocated salary increase—Other.....	—	1,578	—	152,995
NET TOTALS.....	243,167.7	\$8,182,035	251,933.0	\$8,937,065

¹ As shown in departmental budgets as "Net Totals, Salaries and Wages."

SCHEDULE 4A
POSITIONS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(dollars in thousands)

<i>Function</i>	<i>1987-88 Fiscal Year</i>		<i>1988-89 Fiscal Year</i>	
	<i>Estimated Positions</i>	<i>Total Salaries and Wages</i>	<i>Proposed Positions</i>	<i>Total Salaries and Wages</i>
Legislative/Judicial/Executive:				
Legislative.....	505.5	\$18,462	512.5	\$19,954
Judicial.....	1,565.2	95,548	2,360.0	150,155
Executive.....	9,272.3	298,062	9,662.7	317,499
State and Consumer Services.....	13,141.6	369,591	13,253.6	384,482
Business, Transportation and Housing.....	35,677.6	1,160,344	37,358.5	1,255,033
Resources.....	15,339.3	509,428	15,712.6	537,031
Health and Welfare.....	40,768.4	1,195,445	42,318.2	1,275,031
Youth and Adult Correctional.....	27,838.5	957,771	31,025.1	1,082,088
Education:				
Education.....	2,814.5	86,820	2,848.3	90,591
Higher Education.....	95,285.1	3,439,960	96,806.5	3,590,300
Unallocated salary increase.....	-	371	-	82,677
General Government:				
General Administration.....	10,896.5	345,630	11,483.9	373,314
Unallocated salary increase—Other.....	-	1,578	-	152,995
TOTALS, SALARIES AND WAGES ¹	253,104.5	\$8,479,010	263,341.9	\$9,311,150
<i>Less Salary Savings.....</i>	<i>-9,936.8</i>	<i>-296,975</i>	<i>-11,408.9</i>	<i>-374,085</i>
NET TOTALS.....	243,167.7	\$8,182,035	251,933.0	\$8,937,065

¹ As shown in departmental budgets as "Totals, Salaries and Wages."

SCHEDULE 4B
PERSONNEL YEARS AND SALARY COSTS
(Excludes Staff Benefits)
(dollars in thousands)

<i>Function</i>	<i>1984-85 Fiscal Year</i>		<i>1985-86 Fiscal Year</i>		<i>1986-87 Fiscal Year</i>	
	<i>Personnel Years</i>	<i>Net Salaries and Wages</i>	<i>Personnel Years</i>	<i>Net Salaries and Wages</i>	<i>Personnel Years</i>	<i>Total Salary and Wages</i>
Legislative/Judicial/Executive:						
Legislative.....	414.4	\$12,658	449.0	\$15,508	468.9	\$16,765
Judicial.....	1,353.5	76,131	1,432.6	80,426	1,512.4	90,556
Executive.....	7,918.5	216,815	8,112.9	241,472	8,190.4	259,709
State and Consumer Services.....	11,790.0	282,971	11,748.8	307,180	11,856.2	331,069
Business, Transportation and Housing.....	34,254.1	939,481	33,276.6	985,732	32,990.0	1,045,561
Resources.....	13,590.0	381,682	13,801.2	427,233	14,130.0	457,130
Health and Welfare.....	37,646.6	949,689	37,370.6	1,013,724	37,584.8	1,084,842
Youth and Adult Correctional.....	17,331.8	532,396	18,868.2	640,384	20,528.3	812,878
Education:						
Education.....	2,476.2	67,624	2,474.4	72,634	2,498.2	77,027
Higher Education.....	93,524.1	2,664,688	92,132.5	2,891,919	92,688.5	3,160,499
General Government:						
General Administration.....	9,545.7	259,062	9,974.0	284,267	10,479.4	309,162
NET TOTALS.....	229,844.9	\$6,383,197	229,640.8	\$6,960,479	232,927.1	\$7,645,198

SCHEDULE 5
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES

Year	Population ¹ (Thousands)	Employees	Employees Per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capital		Expenditures per \$100 of Personal Income	
					General Fund	Total	General Fund ²	Total ³	General Fund ²	General Total ³	General Fund ²	Total ³
					(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
1950-51.....	10,643	61,000	5.7	\$19.7	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.98	\$5.11
1951-52.....	11,130	63,860	5.7	22.7	734	1,086	635	1,068	57.05	95.96	2.80	4.70
1952-53.....	11,638	65,720	5.6	25.2	774	1,151	714	1,177	61.35	101.13	2.83	4.67
1953-54.....	12,101	69,928	5.8	27.0	798	1,271	809	1,381	66.85	114.12	3.00	5.11
1954-55.....	12,517	74,099	5.9	27.7	879	1,434	852	1,422	68.07	113.61	3.08	5.13
1955-56.....	13,004	77,676	6.0	30.5	1,005	1,578	923	1,533	70.98	117.89	3.03	5.03
1956-57.....	13,581	88,299	6.5	33.4	1,079	1,834	1,030	1,732	75.84	127.53	3.08	5.19
1957-58.....	14,177	98,015	6.9	35.8	1,111	1,751	1,147	1,891	80.91	133.39	3.20	5.28
1958-59.....	14,741	101,982	6.9	37.5	1,210	1,925	1,274	2,066	86.43	140.15	3.39	5.51
1959-60.....	15,288	108,423	7.1	41.1	1,491	2,198	1,435	2,140	93.86	139.98	3.49	5.21
1960-61.....	15,863	115,737	7.3	43.3	1,598	2,338	1,678	2,525	105.78	159.18	3.88	5.83
1961-62.....	16,412	122,339	7.5	45.7	1,728	2,451	1,697	2,494	103.40	151.96	3.71	5.46
1962-63.....	16,951	128,981	7.6	49.1	1,866	2,668	1,881	2,808	110.97	165.65	3.83	5.72
1963-64.....	17,530	134,721	7.7	52.5	2,137	3,057	2,064	3,182	117.74	181.52	3.93	6.06
1964-65.....	18,026	143,896	8.0	56.8	2,245	3,295	2,345	3,652	130.09	202.60	4.13	6.43
1965-66.....	18,464	151,199	8.2	60.7	2,509	3,581	2,580	4,059	139.73	219.83	4.25	6.69
1966-67.....	18,831	158,404	8.4	65.9	2,895	4,073	3,017	4,647	160.21	246.77	4.58	7.07
1967-68.....	19,175	162,677	8.5	70.7	3,682	4,927	3,273	5,006	170.69	261.07	4.63	7.09
1968-69.....	19,432	171,655	8.8	77.3	4,136	5,450	3,909	5,673	201.16	291.94	5.06	7.34
1969-70.....	19,745	179,583	9.1	88.4 ⁴	4,330	5,743	4,456	6,302	225.68	319.17	5.04	7.13
1970-71.....	20,039	181,581	9.1	95.0	4,534	5,919	4,854	6,556	242.23	327.16	5.11	6.90
1971-72.....	20,346	181,912	8.9	100.9	5,395	6,897	5,027	6,684	247.08	328.52	4.98	6.62
1972-73.....	20,585	188,460	9.2	110.3	5,780	7,366	5,616	7,422	272.82	360.55	5.09	6.73
1973-74.....	20,868	192,918	9.2	121.8	6,978	8,715	7,299	9,311	349.75	446.16	5.99	7.64
1974-75.....	21,174	203,548	9.6	136.2	8,630	10,405	8,349	10,276	394.30	485.31	6.13	7.54
1975-76.....	21,538	206,361	9.6	149.7	9,639	11,567	9,518	11,452	441.92	531.71	6.36	7.65
1976-77.....	21,936	213,795	9.7	167.7	11,381	13,463	10,467	12,632	477.16	575.86	6.24	7.53
1977-78.....	22,352	221,251	9.9	187.1	13,695	15,962	11,686	14,003	522.82	626.48	6.25	7.48
1978-79.....	22,836	218,530	9.6	214.9	15,219	17,711	16,251	18,745	711.64	820.85	7.56	8.72
1979-80.....	23,257	220,193	9.5	244.8	17,985	20,919	18,534	21,488	796.92	923.94	7.57	8.78
1980-81.....	23,780	225,567	9.5	276.1	19,023	22,104	21,105	24,511	887.51	1,030.74	7.64	8.88
1981-82.....	24,265	228,813	9.4	308.7	20,960	23,601	21,693	25,022	894.00	1,031.20	7.03	8.11
1982-83.....	24,783	228,489	9.2	328.0	21,233	24,291	21,751	25,330	877.66	1,022.07	6.63	7.72
1983-84.....	25,308	226,695	9.0	352.5	23,809	27,626	22,869	26,797	903.63	1,058.84	6.49	7.60
1984-85.....	25,780	229,845	8.9	389.2	26,536	31,570	25,722	30,961	997.75	1,200.97	6.61	7.96
1985-86.....	26,358	229,641	8.7	422.7	28,072	33,558	28,841	34,977	1,094.20	1,327.00	6.82	8.27
1986-87.....	26,981	232,927	8.6	456.1	32,519	37,767	31,469	38,079	1,166.34	1,411.33	6.90	8.35

¹ Population as of July 1, the beginning of the fiscal year.

² Includes Special Accounts in General Fund from 1973-74 to 1976-77.

³ Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1957-58.

⁴ Revised data from 1969-70 on, not comparable with prior years.

Schedule 6
GENERAL FUND
ANALYSIS OF CHANGE IN RESERVES AS OF JUNE 30, 1988
FROM THE PREVIOUS GOVERNOR'S BUDGET
(In Thousands)

<i>DETAIL OF CHANGES</i> 1986-87 Fiscal Year (From previous Governor's Budget to the current Governor's Budget)	1987-88 Governor's Budget (previous estimate)	1988-89 Governor's Budget (revised estimate)	Effect of Changes on Reserves
Prior year resources available.....	\$686,278	\$714,111	\$27,833
Revenues and Transfers:			
Revenues	\$30,555,321	\$32,323,085	1,767,764
Transfers	209,478	195,783	- 13,695
Totals, Revenues and Transfers	\$30,764,799	\$32,518,868	\$1,754,069
Expenditures:			
State Operations	\$7,777,834	\$7,734,160	\$43,674
Capital Outlay	14,982	10,304	4,678
Local Assistance	23,096,985	23,720,676	- 623,691
Unclassified.....	-	3,866	- 3,866
Totals, Expenditures	\$30,889,801	\$31,469,006	- \$579,205
SPECIAL ADJUSTMENT FOR REBATE PURSUANT TO ARTICLE XIII B *	-	1,138,000	- 1,138,000
<i>1987-88 Fiscal Year</i> (From previous Governor's Budget to the current Governor's Budget)			
Revenues and Transfers:			
Revenues	\$31,675,240	\$33,581,418	\$1,906,178
Transfers	66,783	96,986	30,203
Totals, Revenues and Transfers	\$31,742,023	\$33,678,404	\$1,936,381
Expenditures:			
State Operations	\$8,188,128	\$8,444,799	- \$256,671
Capital Outlay	-	2,393	- 2,393
Local Assistance	23,075,440	24,894,569	- 1,819,129
Unclassified.....	-	867	- 867
Totals, Expenditures	\$31,263,568	\$33,342,628	- \$2,079,060
Total Effect of Changes on Reserves			- \$77,982
TOTAL CHANGES			
Changes in Reserves:			
Special Fund for Economic Uncertainties including Disaster Response- Emergency Operations Account	\$1,035,612	\$936,273	- \$99,339
Reserve for unencumbered balances of continuing appropriations	4,119	25,476	21,357
Total Reserves	\$1,039,731	\$961,749	- \$77,982

* See footnote (d) in Schedule 1 for an explanation of the rebate pursuant to Article XIII B of the State Constitution.

Schedule 7
GENERAL FUND
(in thousands)
STATEMENT OF FINANCIAL CONDITION
June 30, 1987

	General Fund Balances	LIABILITIES	General Fund Balances
ASSETS			
Cash in State Treasury and agency accounts.....	\$1,725,628	Accounts payable.....	\$593,938
Receivables.....	96,861	Due to other funds.....	292,403
Due from other funds.....	1,286,742	Due to other governments.....	463,252
Due from other governments.....	35,286	Accrued interest payable.....	63,912
Advances to other funds.....	7,500	Advance collections.....	50,681
Prepaid expenses.....	102,613	Deposits.....	51
Other assets.....	714	Other liabilities.....	27,133
TOTAL OPERATING ASSETS	\$3,255,344	Total Liabilities.....	\$1,491,370
FUND BALANCE			
		Designated for Unencumbered Balances of Continuing Appropriations.....	\$189,672
		Special Fund for Economic Uncertainties.....	1,046,000
		Unreserved-Undesignated (Surplus)	528,302
		TOTAL FUND BALANCE	\$1,763,974
		TOTAL LIABILITIES AND FUND BALANCE.....	\$3,255,344
LONG-TERM OBLIGATIONS			
General obligation bonds.....	\$8,028,550		
Less: self-liquidating bonds.....	4,201,515		
Net general bonded debt.....	\$3,827,035		
Interest payable in future years.....	2,141,430		
Net Total Long-Term Obligations.....	\$5,968,465		

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1986-87, 1987-88, AND 1988-89

(dollars in thousands)

Sources	Actual 1986-87		Estimated 1987-88		Estimated 1988-89	
	General Fund	Special funds	General Fund	Special funds	General Fund	Special funds
MAJOR TAXES AND LICENSES						
Excise Tax on Beer and Wine	30,647	-	30,647	-	31,400	-
Excise Tax on Distilled Spirits	100,641	-	100,641	-	98,600	-
Bank and Corporation (Income) Taxes	4,800,843	-	4,800,843	-	5,000,000	10,000
Cigarette Tax	179,282	75,793	255,075	75,000	252,000	74,000
Horse Racing Revenues	111,122	21,750	132,872	22,250	134,250	23,750
Inheritance Tax	273,090	-	273,090	-	380,000	345,000
Insurance Gross Premiums Tax	1,008,804	-	1,008,804	-	1,100,000	-
Trailer Coach License (In-Lieu) Fees	-	29,702	-	30,000	-	30,400
Motor Vehicle License (In-Lieu) Fees	-	1,635,023	-	1,789,000	-	1,908,000
Motor Vehicle Fuel Tax (Gasoline)	-	1,107,931	-	1,121,860	-	1,147,850
Motor Vehicle Fuel Tax (Diesel)	-	141,655	-	148,000	-	152,000
Motor Vehicle Registration	-	1,025,126	-	1,070,080	-	1,107,780
Personal Income Tax	13,922,074	-	13,922,074	-	15,428,000	-
Retail Sales and Use Taxes	10,904,022	-	10,904,022	20,000	12,275,445	48,555
TOTALS, MAJOR TAXES AND LICENSES	31,330,525	4,036,980	35,367,505	4,276,190	35,107,445	4,502,335
MINOR REVENUES						
REGULATORY TAXES AND LICENSES						
General Fish and Game Taxes	-	1,689	-	1,816	-	1,767
Quarterly Public Util Commission Fees	-	55,699	-	54,115	-	53,461
Liquor License Fees	32,057	-	31,881	-	32,519	-
Genetic Disease Testing Fees	-	18,062	-	21,197	-	22,765
Electrical Energy Tax	-	35,141	-	36,024	-	36,823
Other Regulatory Taxes	7,587	29,259	7,215	29,059	9,155	38,652
General Fish and Game Lic Tags Permits	-	54,335	-	57,482	-	58,984
Other Regulatory Licenses and Permits	31,641	103,419	36,059	162,513	36,453	167,148
Universal Telephone Service Tax	-	42,615	-	133,300	-	203,601
Other	19,407	189,699	20,079	248,724	21,306	291,556
TOTALS	90,692	529,928	95,234	744,230	99,433	640,695
REVENUE FROM LOCAL AGENCIES						
County Costs-Mentally Ill Patients	26,844	-	26,844	-	31,000	-
Architecture Public Building Fees	-	16,742	-	18,620	-	22,740
Penalties on Traffic Violations	14,181	92,109	14,600	100,013	-	104,002
Other	41,025	22,310	36,491	24,124	28,828	54,248
TOTALS	81,050	131,161	77,935	142,757	59,828	152,162
SERVICES TO THE PUBLIC						
Pay Patients Board Charges	33,324	-	33,324	-	31,105	-
State Beach and Park Service Fees	-	30,357	-	38,836	-	41,908
Emergency Telephone Users Surcharge	-	37,344	-	38,800	-	41,600
Repts Fr Hlth Care Deposit Fd (Abol 7/83)	19,619	19,619	24,314	24,314	25,176	-
California State University Fees	241,817	-	292,597	-	326,632	-
Personalized License Plates	-	26,235	-	25,628	-	26,013
Other	23,098	32,938	22,315	39,833	38,878	80,143
TOTALS	317,858	126,874	367,813	143,097	421,791	150,786
USE OF PROPERTY AND MONEY						
Income From Pooled Money Investments	447,001	1,738	448,739	1,755	401,755	1,773
Income From Surplus Money Investments	3	141,477	-	130,579	-	115,517
Federal Lands Royalties	-	24,514	-	28,421	-	28,421
Oil & Gas Lease-1 Revenue City/County	264	264	300	300	300	300
Rentals of State Property	3,790	30,534	3,884	30,447	3,974	30,748
State Land Royalties	32,809	130,531	101,466	141,326	15,505	177,287
Other	5,644	14,961	6,745	14,734	5,900	16,647
TOTALS	489,511	343,755	512,395	347,262	475,679	370,393
TOTALS	849,958	983,286	952,363	1,037,484	970,693	1,164,971

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued
(dollars in thousands)

Sources	Actual 1986-87		Estimated 1987-88		Estimated 1988-89	
	General Fund	Special funds	General Fund	Special funds	General Fund	Special funds
MISCELLANEOUS						
Penalties & Interest on Ui & Di Contrib	-	47,296	-	37,482	-	37,680
Sale of Fixed Assets	2,147	2,957	10,095	10,096	2,819	2,820
Revenue-Abandoned Property	38,030	38,030	40,700	40,700	43,500	43,500
Miscellaneous Revenue	1,895	24,714	4,360	27,080	3,792	40,181
Penalties & Intrst on Personal Income Tx	-	12,467	-	9,332	-	9,392
Uninsured Motorist Fees	181	181	-	-	-	-
Parking Violations	1	1	1	-	1	-
Penalty Assessments	5,128	29,484	3,501	41,028	3,673	57,847
Other	6,092	34,360	4,719	35,782	4,957	35,825
TOTALS, MINOR REVENUES	53,474	149,131	63,376	150,705	58,742	180,926
TOTALS, MINOR REVENUES	992,560	1,280,849	1,082,418	1,528,051	1,115,473	1,494,962
TOTALS, MINOR REVENUES	32,323,085	5,317,829	33,581,418	5,804,241	36,222,918	5,997,297
TOTALS, MINOR REVENUES		37,640,914		39,385,659		42,220,215
TRANSFERS & LOANS						
General Fund	-13,228	13,116	-19,914	18,789	-23,223	20,579
Attorney General Antitrust Accou	600	-600	600	-600	600	-600
Hazardous Waste Control Account	-	-	5,300	-5,300	5,000	-5,000
Fingerprint Fees Account	3,000	-3,000	-	-	-	-
Agricultural & Forestry Residue	-	-	4,943	-4,943	75	-75
Special Account for Capital Outl	25,000	-25,000	3,442	-3,442	-	-
Highway Account, State, Sf	-	-	-	-50,000	-	-
Highway Construct Revolv Acct/St	-	-	-	-	-	-
Foster and Small Family Insuranc	-	-	-	-	-	-
Beverage Container Recycling Fun	-	-	5,000	-5,000	-	-
Aids Vaccine Research Develop Gr	-	-	8,511	-8,511	294	-294
Environmental License Plate Fund	100	-100	-	-	-	-
Water Fund, California	-	-	1,000	-1,000	-	-
Driver Training Penalty Assessme	15,069	-15,069	17,281	-17,281	11,780	-11,780
Employment Development Contingen	15,160	-15,160	20,642	-20,642	15,625	-15,625
Energy and Resource Fund	687	-687	661	-661	656	-656
Fair and Exposition Fund	-	-	626	-626	626	-626
Satellite Wagering Account	-	-	3,000	-3,000	490	-490
Fish and Game Preservation Fund	-	-	490	-490	6,000	-6,000
Industrial Loan Special Fund	5,161	-5,161	37,000	-37,000	10	-10
Polygraph Examiners Fund	10,000	-10,000	10	-10	-	-
Mandates Claims Fund, State	-	-	-	-	-	-
Universal Telephone Service Fund	7,700	-7,700	-	-59,607	-	-
Vehicle Inspection Fund	-	-	-	-	-	-
Underground Storage Tank Tester	-	-	-	-	70	-70
First Offender Program Evaluatio	-	-	268	-268	-	-
Vietnam Veterans Memorial Accoun	96	-96	-	-	-	-
Underground Storage Tank Fund	180	-180	-	-	-	-
Underground Container Inventory	-	-	125	-125	-	-
Surface Impoundment Assessment A	355	-355	-	-	-	-
Financial Responsibility Penalty	485	-485	3,822	-3,822	3,721	-3,721
Peace Officers' Memorial Account	3	-3	38	-38	-	-
Main Street Program Fund, Ca	19	19	-	-	-	-
Agriculture Building Fund	-	111	-	111	-	111
Public Buildings Construction Fu	3,987	3,987	-	-	-	-
Consumer Affairs Fund	1,546	654	-	-	-	-
Small Business Development Cente	99	99	-	-	-	-
County Hlth Facil Financing Assi	20,900	20,900	-	-	-	-
School Employees Fund	93,800	93,800	-	-	-	-
Industrial Relations Unpaid Wage	1,145	1,145	790	-	790	-
Forest Resources Improvement Fun	1,533	1,533	1,563	-	1,594	-

Schedule 8

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued
(dollars in thousands)

Sources	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Total	General Fund	Special funds	Total	General Fund	Special funds	Total
Special Deposit Fund	1,321	-	1,321	1,390	-	1,390	1,490	-	1,490
School Site Utilization Fund, St	1,065	-	1,065	-	-	-	-	-	-
Urban Waterfront Area Restor Fin	-	-	-	398	-	398	-	-	-
TOTALS, TRANSFERS & LOANS	195,783	-69,715	126,068	96,986	-203,466	-106,480	25,598	-20,357	5,241
TOTALS, REVENUES AND TRANSFERS	32,518,868	5,248,114	37,766,982	33,678,404	5,600,775	39,279,179	36,248,516	5,976,940	42,225,456

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND FISCAL YEARS 1986-87, 1987-88, AND 1988-89 (In thousands of dollars)

	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
STATE OPERATIONS									
LEGISLATIVE, JUDICIAL, AND EXECUTIVE									
Legislative									
Senate	59,044	-1,521	57,523	62,596	1,924	64,520	64,944	-	64,944
Assembly	88,482	-147	88,335	93,214	338	93,552	98,101	-	98,101
Joint Expenses	-	15	15	-	-	-	-	-	-
Totals, Legislature	147,526	-1,653	145,873	155,810	2,262	158,072	163,045	-	163,045
Contributions to Legislator Retire Fund	861	-	861	990	-	990	1,100	-	1,100
Office of the Auditor General	9,110	-	9,110	9,905	-	9,905	9,965	-	9,965
Legislative Counsel Bureau	13,157	-	13,157	16,493	-	16,493	18,160	-	18,160
Totals, Legislative	170,654	-1,653	169,001	183,098	2,262	185,360	192,170	-	192,170
Judicial									
Judiciary	78,860	61	78,921	88,624	60	88,684	114,192	60	114,252
Contributions to Judges Retirement Fund	1,752	-	1,752	1,857	-	1,857	2,101	-	2,101
National Center for State Courts	100	-	100	99	-	99	226	-	226
Totals, Judicial	80,712	61	80,773	90,580	60	90,640	116,519	60	116,579
Executive/Governor									
Governor's Office	6,163	-	6,163	6,973	-	6,973	7,593	-	7,593
Sec Fr St & Con Svc(See St & Con Svc Ag	-	-	-	-	-	-	-	-	-
Sec Fr Bus, Trsp & Hsg(See Bus.Trsp.Hsg	-	-	-	-	-	-	-	-	-
Sec for Hlth & Wel(See Hlth & Wel Agcy)	-	-	-	-	-	-	-	-	-
Sec for Resources (See Resources Agcy)	-	-	-	-	-	-	-	-	-
Sec Fr Yth & Adlt Cor(See Yth & Adlt Ag	-	-	-	-	-	-	-	-	-
Office of California/Mexico Affairs	256	-	256	262	-	262	273	-	273
California State World Trade Commission	1,223	-	1,223	1,550	1,000	2,550	2,827	-	2,827
Office of Planning and Research	3,585	-377	3,208	3,692	103	3,795	3,811	110	3,921
Office of Emergency Services	8,739	363	9,102	30,095	823	30,918	4,467	681	5,148
Totals, Executive/Governor	19,966	-14	19,952	42,572	1,926	44,498	24,964	791	25,755
Executive/Constitutional Offices									
Office of the Lieutenant Governor	1,427	-	1,427	1,468	-	1,468	1,497	-	1,497
Department of Justice	149,202	26,077	175,279	156,740	29,754	186,494	158,226	30,932	189,158
State Controller	56,317	4,091	60,408	64,088	2,683	66,771	61,570	2,739	64,309
State Board of Equalization	96,353	6,983	103,346	100,238	6,673	106,911	109,416	6,790	116,206
Secretary of State	19,234	-	19,234	25,231	-	25,231	23,297	-	23,297
State Treasurer	4,987	-	4,987	6,407	-	6,407	6,207	-	6,207
California Debt Advisory Commission	-	1,955	1,955	1,041	-	1,041	1,080	-	1,080
California Debt Limit Allocation Commit	142	-	142	171	-	171	222	-	222
Calif Industrial Dev Financing Adv Comm	-	267	267	-	355	355	362	-	362
Mortgage Bond & Tax Credit Alloc Commit	-	-	-	-	-	-	-	-	-
Self-Esteem Personal Social Responsibility	105	13	118	232	116	348	120	252	372
Totals, Executive/Constitutional Offices	327,767	39,296	367,063	354,575	40,622	395,197	360,465	42,245	402,710
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	599,099	37,890	636,989	670,825	44,870	715,695	694,118	43,096	737,214
STATE AND CONSUMER SERVICES									
Secretary for State and Consumer Service	658	-	658	731	-	731	773	-	773
Museum of Science and Industry	8,014	-	8,014	8,593	-	8,593	8,969	-	8,969
Department of Consumer Affairs	-	-	-	-	-	-	-	-	-
Board of Accountancy	3,062	-	3,062	3,712	-	3,712	4,463	-	4,463
Board of Architectural Examiners	1,696	-	1,696	2,848	-	2,848	3,430	-	3,430
Athletic Commission	122	-	122	152	-	152	170	-	170
Bureau of Automotive Repair	33,909	-	33,909	37,375	-	37,375	40,882	-	40,882
Board of Barber Examiners	772	-	772	827	-	827	846	-	846
Board of Behavioral Science Examiners	1,089	-	1,089	1,307	-	1,307	1,592	-	1,592
Cemetery Board	265	-	265	290	-	290	322	-	322
Total Bureau of Collection & Invest Serv	2,875	-	2,875	3,691	-	3,691	3,844	-	3,844
Contractors State License Board	20,856	-	20,856	29,941	-	29,941	25,998	-	25,998
Board of Cosmetology	3,058	-	3,058	3,127	-	3,127	3,305	-	3,305
Board of Dental Examiners	2,694	-	2,694	3,210	-	3,210	3,431	-	3,431

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued
(Figures in thousands)

Appendix 26

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued

(Figures in thousands)

	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Bond funds	General Fund	Special funds	Bond funds	General Fund	Special funds	Bond funds
Statewide Distributed Costs	1,371	-	-	1,371	-	-	778	-	-
General Obligation Bonds	1,371	-	-	1,371	-	-	778	-	-
Totals, Statewide Distributed Costs	1,371	-	-	1,371	-	-	778	-	-
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	52,872	1,720,354	1,773,226	52,638	1,872,287	1,924,925	55,374	2,123,047	2,178,421
RESOURCES									
Secretary for Resources	1,129	346	1,475	1,261	90	1,351	1,288	75	1,363
Special Resources Program	514	-	514	520	-	520	525	-	525
California Tahoe Conservancy	758	-	758	760	-	760	775	-	775
St Assist Fd Energy Ca Bus Industry Dev	168	-	168	-	-	-	-	-	-
California Conservation Corps	5,099	40,349	45,448	36,656	-	41,827	44,420	-	45,448
Energy Resources Conservation & Dev Com	2,552	2,552	5,104	63,193	63,193	126,386	41,512	-	126,386
Renewable Resources Investment Program	2,889	2,889	5,778	2,900	2,900	5,800	2,900	-	5,800
California Waste Management Board	4,155	-	4,155	4,228	-	4,228	4,505	-	4,505
Air Resources Board	5,746	49,975	55,721	5,941	44,418	50,359	6,756	46,565	53,321
Colorado River Board of California	204	8	212	242	10	252	258	11	269
Department of Conservation	12,580	8,236	20,816	14,338	95,353	109,691	15,025	106,749	121,774
Department of Forestry and Fire Protect	202,231	3,378	205,609	5,073	4,123	223,541	30,071	4,001	213,238
State Lands Commission	14,096	-	14,096	13,864	-	13,864	14,328	-	14,328
Seismic Safety Commission	1,347	-	1,347	800	100	900	943	250	1,193
Dept of Fish and Game	9,675	68,750	78,425	8,941	75,965	84,906	8,878	83,331	92,209
Wildlife Conservation Board	253	672	925	257	875	1,132	263	581	844
Dept of Boating & Waterways	5,905	344	6,249	6,050	393	6,443	6,323	403	6,726
California Coastal Commission	77,129	-	77,129	78,078	-	78,078	79,487	-	79,487
State Coastal Conservancy	232	-	232	247	-	247	253	-	253
San Francisco Bay Conserv & Develop Com	1,442	-	1,442	1,407	-	1,407	1,536	-	1,536
Department of Water Resources	29,104	6,310	35,414	38,859	8,560	47,419	30,924	5,142	36,066
State Water Resources Control Board	1,522	1,522	3,044	1,730	3,592	5,322	41,192	4,097	45,289
Payment of Interest on Pmta Loans	-	-	-	13,770	-	13,770	13,250	-	13,250
General Obligation Bonds	218,595	-	218,595	205,705	-	205,705	200,053	-	200,053
TOTALS, RESOURCES	685,669	187,213	872,882	680,459	355,813	1,036,272	682,219	358,328	1,040,547
HEALTH AND WELFARE									
Secretary for Health and Welfare	1,421	-	1,421	3,434	-	3,434	1,786	-	1,786
State Council Developmental Disabilities	-	-	-	-	-	-	-	-	-
Area Bds on Developmental Disabilities	698	-	698	907	-	907	942	-	942
Emergency Medical Services Authority	2,943	-	2,943	2,943	-	2,943	-	-	-
Health and Welfare Agency Data Center	942	-	942	1,541	-	1,541	1,810	-	1,810
Office Statewide Health Planning-Develop	4,607	20,613	25,220	4,910	20,981	25,891	4,733	21,987	23,797
Department of Aging	228	-	228	237	-	237	209	-	209
Commission on Aging	6,883	559	7,442	7,234	705	7,939	7,355	1,002	8,357
Dept of Alcohol and Drug Programs	213	-	213	217	-	217	237	-	237
Child Development Prgms Advisory Committ	131,274	70,950	202,224	153,997	91,043	245,040	152,010	92,902	244,912
California Medical Assistance Commissio	797	-	797	904	-	904	929	-	929
Dept of Developmental Assistance	18,402	174	18,576	22,021	191	22,212	20,397	195	20,592
Dept of Mental Health	327,468	1,712	329,180	341,358	715	342,073	364,761	-	364,761
Employment Development Dept	28,893	27,634	56,527	29,846	28,130	57,976	30,053	32,710	62,763
Dept of Rehabilitation	18,766	-	18,766	20,563	-	20,563	20,981	-	20,981
Dept of Social Services	76,884	-	76,884	87,754	-	87,754	80,807	-	80,807
General Obligation Bonds	6,129	-	6,129	5,867	-	5,867	5,605	-	5,605
TOTALS, HEALTH AND WELFARE	626,548	121,346	747,894	677,847	141,765	819,612	692,648	148,796	841,444
YOUTH AND ADULT CORRECTIONAL AGENCY									
Sec for Youth and Adult Corrections	778	-	778	1,037	-	1,037	1,009	-	1,009
Dept of Corrections	1,142,366	14,494	1,156,860	1,367,811	13,288	1,381,099	1,567,189	13,462	1,580,651
Board of Corrections	453	1,573	2,026	491	1,599	2,090	501	1,768	2,269
TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY	1,920,597	15,067	1,935,657	2,405,318	14,887	2,420,196	2,576,759	15,230	2,582,929

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued
 (Figures in thousands)

	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Selected Bond funds	Federal Fund	General Fund	Special funds	Budget Total	Special funds	Selected Bond funds
Board of Prison Terms	8,176	-	8,176	34	9,170	-	9,170	10,243	-
Youthful Offender Parole Board	2,764	-	2,764	-	2,792	-	2,792	3,073	-
Dept of Youth Authority	252,091	1,100	253,091	785	263,717	367	263,717	282,304	225
Robert B Presley Institute	1	-	1	-	149	-	149	410	-
Payment of Interest on Pmia Loans	-	-	-	-	28,350	-	28,350	26,950	-
General Obligation Bonds	130,613	-	130,613	-	133,765	-	133,765	153,393	-
TOTALS, YOUTH AND ADULT CORRECTION-AL AGENCY	1,537,242	17,167	1,554,409	913	1,807,282	14,887	1,822,169	2,045,072	21,478
EDUCATION									
K thru 12 Education									
Department of Education	84,443	2,770	87,213	-	90,169	2,928	93,097	-	-
Dept of Education—Headquarters	-	-	-	37,519	-	-	-	3,520	-
State Library	-	-	-	-	-	-	-	85,558	-
Calif State Summer School for the Arts	-	-	-	-	-	-	-	11,615	-
Calif State Council on Vocational Educ	57	-	57	215	78	-	78	412	-
Calif Occupational Info Coord Committee	-	-	-	131	-	-	-	96	-
Commission on Teacher Credentialing	-	8,477	-	-	9,139	-	9,139	11,000	-
Payment of Interest on Pmia Loans	-	-	-	-	14,580	-	14,580	13,800	-
General Obligation Bonds	89,015	-	89,015	-	96,797	-	96,797	119,654	-
Totals, K thru 12 Education	173,515	11,247	184,762	37,865	201,624	12,067	213,691	232,235	-
Higher Education									
Cal Postsecondary Education Commission ...	3,714	-	3,714	90	3,355	-	3,355	3,512	-
Comm for Review of Master Plan for High ...	588	-	588	175	175	-	175	-	-
University of California	1,788,304	1,056	1,789,360	2,574,157	1,905,685	3,239	1,906,924	2,038,372	3,000
Hastings College of Law	11,639	-	11,639	432	11,861	-	11,861	12,553	-
California State University	1,596,490	5,824	1,602,314	115,190	1,743,329	-	1,743,329	1,862,051	10,600
California Maritime Academy	5,696	-	5,696	638	6,283	-	6,283	6,776	-
Bd of Governors of Calif Comm Colleges ...	8,224	651	8,875	186	9,460	718	10,178	11,615	-
Student Aid Commission	5,752	-	5,752	156,293	24,300	-	6,715	7,104	-
Payment of Interest on Pmia Loans	-	-	-	-	24,300	-	24,300	23,000	-
General Obligation Bonds	37,763	-	37,763	-	37,112	-	37,112	53,775	-
Totals, Higher Education	3,458,170	7,531	3,465,701	2,846,986	3,748,275	3,957	3,759,232	4,018,047	-
TOTALS, EDUCATION	3,631,685	18,776	3,650,463	2,884,851	3,949,899	16,024	3,965,923	4,250,282	13,600
GENERAL GOVERNMENT									
General Administration									
Office of Criminal Justice Planning	4,136	1,556	5,692	1,904	4,415	1,692	6,107	4,528	-
Comm on Peace Officer Standards & Train	-	8,899	8,899	-	-	9,112	9,112	8,998	-
State Public Defender	6,275	-	6,275	-	7,222	-	7,222	7,204	-
Admin & Payment of Tort Liability Claim	9,124	3,611	12,735	-	997	240	1,237	891	-
Commission for Economic Development	542	-	542	-	557	-	557	568	-
Ca Bicentennial Comm on U.S. Const.	40	-	40	-	4	-	4	50	-
California Arts Council	2,535	-	2,535	74	2,637	-	2,637	2,831	-
Native American Heritage Commission	272	-	272	-	283	-	283	307	-
Agricultural Labor Relations Board	6,898	-	6,898	-	6,739	-	6,739	7,098	-
Public Employment Relations Board	5,803	-	5,803	-	6,207	-	6,207	6,148	-
Dept of Industrial Relations	102,589	6,742	109,331	17,269	102,261	7,599	109,860	7,685	-
Department of Personnel Administration ...	6,763	-	6,763	-	7,241	-	7,241	7,436	-
Subsequent Injuries	3,679	2,000	5,679	-	3,720	2,000	5,720	2,000	-
Board of Chiropractic Examiners	739	-	739	-	840	927	927	927	-
Board of Osteopathic Examiners	337	-	337	-	394	394	394	488	-
Board of Pilot Commissioners	285	-	285	-	448	-	448	445	-
California Auctioneer Commission	170	-	170	-	194	-	194	246	-
California Horse Racing Board	2,071	-	2,071	-	2,705	-	2,705	7,901	-
California Exposition and Fairs	1,263	-	1,263	-	271	-	271	271	-
Dept of Food and Agriculture	66,787	47,373	114,160	1,774	72,149	4,313	125,470	50,811	-
Fair Political Practices Commission	3,347	-	3,347	-	3,655	-	3,655	3,849	-
Political Reform Act of 1974	-	-	-	-	-	-	-	2,056	-
Public Utilities Commission	-	-	-	-	-	-	-	69,084	-
Board of Control	678	38,793	39,471	5,185	805	260	64,144	817	-
Commission on State Finance	729	-	729	-	800	-	800	67,973	-
TOTALS, GENERAL GOVERNMENT	3,149,284	1,169	3,150,453	13,600	4,265,542	15,260	4,265,542	3,149,284	1,169

**COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued**
(Figures in thousands)

Appendix 29

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND

FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued

(Figures in thousands)

	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total
STATE AND CONSUMER SERVICES									
Dept of General Services	-	45,047	45,047	-	-	49,907	-	-	57,085
Department of Veterans Affairs	1,000	-	1,000	-	1,000	-	-	1,000	-
General Activities	162	-	162	-	-	-	-	-	-
Veterans' Home of California	1,162	-	1,162	-	-	1,000	-	-	1,000
Totals, Department of Veterans Affairs	92	-	92	-	61	61	-	97	97
State Mandated Local Costs	-	-	-	-	-	-	-	-	-
TOTALS, STATE AND CONSUMER SERVICES	1,254	45,047	46,301	1,061	49,907	50,968	1,097	57,085	58,182
BUSINESS, TRANSPORTATION, AND HOUSING									
Business									
Department of Commerce	-	364	364	-	-	16,172	-	-	28,586
Dept of Housing & Community Development	6,900	-	6,900	22,800	-	22,800	6,900	-	6,900
Totals, Business	6,900	364	7,264	22,800	16,172	38,972	6,900	28,586	35,486
Transportation									
Special Transportation Programs	-	5,942	5,942	-	2,000	2,000	-	2,000	2,000
Dept of Transportation	-	2,032	2,032	-	3,893	3,893	-	3,893	3,893
Transportation Planning Program	-	135,216	135,216	-	42,687	42,687	-	56,582	56,582
Mass Transportation Program	540	2,597	3,137	540	2,561	3,101	540	2,850	2,850
Aeronautics Program	-	16,547	16,547	-	40,538	40,538	-	234,900	32,692
Highway Transportation Program	-	-	-	-	-	-	-	-	-
Totals, Dept of Transportation	540	156,392	156,932	540	89,679	90,219	540	95,477	96,017
Office of Traffic Safety	-	-	-	-	-	-	-	-	-
Totals, Transportation	540	162,334	162,874	540	91,679	92,219	540	97,477	98,017
Statewide Distributed Costs									
State Mandated Local Costs	249	-	249	1,272	-	1,272	272	-	272
Totals, Statewide Distributed Costs	249	-	249	1,272	-	1,272	272	-	272
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	7,689	162,698	170,387	24,612	107,851	132,463	7,712	126,063	133,775
RESOURCES									
Special Resources Program	778	260	1,038	702	546	1,248	777	410	1,187
California Tahoe Conservancy	-	-	-	-	1,500	1,500	-	1,000	1,000
Energy Resources Conservation & Dev Com	-	2,044	2,044	-	2,282	2,282	-	5,300	5,300
Air Resources Board	-	7,511	7,511	-	7,511	7,511	-	7,511	7,511
Department of Conservation	-	-	-	-	-	-	-	350	350
Department of Forestry and Fire Protect	-	-	-	-	50	50	-	-	-
Seismic Safety Commission	-	-	-	-	-	-	-	-	-
Dept of Boating & Waterways	-	-	-	-	3,000	3,000	-	-	-
California Coastal Commission	-	-	-	-	-	-	-	-	-
State Coastal Conservancy	-	400	400	-	150	150	-	-	-
Dept of Parks and Recreation	-	8,028	8,028	-	26,456	26,456	-	12,927	12,927
Department of Water Resources	1,700	11,400	13,100	1,823	11,900	13,723	1,500	13,000	14,500
State Water Resources Control Board	-	-	-	-	-	-	-	-	-
State Mandated Local Costs	12,508	-	12,508	14,789	685	15,474	350	200	550
TOTALS, RESOURCES	14,986	29,643	44,629	17,314	54,080	71,394	2,827	40,698	43,325
HEALTH AND WELFARE									
Emergency Medical Services Authority	863	-	863	1,717	-	1,717	2,557	-	2,557
Office Statewide Health Planning-Develop	2,637	-	2,637	3,133	-	3,133	2,880	-	2,880
Department of Aging	31,646	-	31,646	32,237	-	32,237	31,696	-	31,696
Dept of Alcohol and Drug Programs									
Alcohol Program	37,263	-	37,263	37,274	-	37,274	37,274	-	37,274
Drug Program	34,506	-	34,506	34,521	-	34,521	34,521	-	34,521
Unalloc Emerg Subst Abuse Trtment/Rehab	-	-	-	-	-	-	-	-	-
Totals, Dept of Alcohol and Drug Programs	71,769	-	71,769	71,795	-	71,795	71,795	-	71,795
Dept of Health Services									
Medical Assistance Program	2,557,257	-	2,557,257	2,811,044	-	2,811,044	2,953,258	-	2,953,258
Public Health Service	1,040,733	-	1,040,733	1,088,749	-	1,088,749	1,112,827	-	1,112,827
TOTALS, HEALTH AND WELFARE	2,557,257	1,040,733	3,597,990	3,597,990	1,088,749	4,686,739	3,967,050	5,320	5,320
TOTALS, ALL CATEGORIES	25,557,257	1,040,733	26,597,990	25,557,257	1,088,749	26,646,006	25,557,257	5,320	5,320

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued

(Figures in thousands)

	Actual 1986-87				Estimated 1987-88				Estimated 1988-89			
	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds
California Children Services	51,293	-	-	-	4,704	55,275	-	-	-	4,704	59,540	-
Cost of Living: Medic-Cal	16,995	-	16,995	-	17,022	4,934	-	-	-	4,934	12,836	-
Cost of Living: Public Health-Other	14,973	-	14,973	-	-	6,977	-	-	-	-	24,287	-
Totals, Dept of Health Services	3,681,251	3,683	3,681,251	-	2,725,909	3,968,979	520	3,967,499	-	2,880,725	4,169,748	5,320
Dept of Developmental Services	419,074	-	422,767	-	779	453,141	4,223	457,364	-	835	488,535	-
Dept of Mental Health	489,281	-	489,281	-	19,271	549,942	-	549,942	-	16,389	561,736	-
Employment Development Dept	-	-	-	-	2,281,144	-	-	-	-	2,453,867	-	-
Dept of Rehabilitation	64,270	-	64,270	-	135	73,989	-	73,989	-	-	80,701	-
Dept of Social Services	-	-	-	-	9,055	1,845,729	-	1,845,729	-	10,712	1,873,005	-
SSI/SSP Grants	1,655,958	-	1,655,958	-	2,048,775	2,131,385	-	2,131,385	-	2,091,239	2,152,899	-
Payments for Children	1,984,750	-	1,984,750	-	75	2,783	-	2,783	-	75	3,085	-
Special Adult Programs	2,402	-	2,402	-	460,768	565,072	-	565,072	-	465,462	840,574	-
Social Service Programs	385,779	-	385,779	-	47,762	8,785	-	8,785	-	46,643	9,394	-
Refugee Programs	-	-	-	-	3,927	150,879	-	150,879	-	4,989	163,524	-
Community Care Licensing	7,185	-	7,185	-	373,057	-	-	-	-	427,694	248,030	-
County Administration	135,488	-	135,488	-	-	-	-	-	-	-	-	-
Special Adjustment: Cost-Of-Living	-	-	-	-	2,943,419	4,704,633	-	4,704,633	-	3,046,814	5,290,511	-
Totals, Dept of Social Services	4,171,562	-	4,171,562	-	2,085	2,085	-	2,085	-	-	3,192	-
State Mandated Local Costs	4,622	-	4,622	-	-	-	-	-	-	-	-	-
TOTALS: HEALTH AND WELFARE	8,529,975	3,693	8,533,668	142,359	8,083,107	9,859,651	4,743	9,864,394	-	8,531,200	10,891,651	10,020
YOUTH AND ADULT CORRECTIONAL AGENCY	34,658	10,078	34,658	142,359	-	29,860	11,274	29,860	180,000	-	31,210	12,774
Dept of Corrections	-	-	-	-	-	-	-	-	-	-	-	-
Board of Corrections	-	-	-	-	-	-	-	-	-	-	-	-
Dept of Youth Authority	-	-	-	-	-	-	-	-	-	-	-	-
Transportation of Wards	95	-	95	-	95	2,307	-	2,307	95	-	2,307	-
Delinquency Prevention	2,175	-	2,175	-	4,505	67,298	-	67,298	4,505	-	67,298	-
Asst to Counties for Detention of Youths ..	3,211	-	3,211	-	500	500	-	500	500	-	500	-
County Justice Subvention Program	67,413	-	67,413	-	-	-	-	-	-	-	-	-
Regional Youth Education Centers	500	-	500	-	-	-	-	-	-	-	-	-
County Correctional Facility (Juvenile Fac) ..	-	-	-	-	-	-	-	-	-	-	-	-
Totals, Dept of Youth Authority	73,394	-	73,394	-	74,955	74,955	-	74,955	8,000	-	74,705	10,800
State Mandated Local Costs	58	-	58	-	79	79	-	79	-	16	16	-
TOTALS: YOUTH AND ADULT CORRECTIONAL AGENCY	108,110	10,078	118,188	142,359	-	104,894	11,274	116,168	188,000	-	105,931	12,774
EDUCATION	217,869	-	217,869	-	8,068	256,488	-	256,488	-	8,651	260,185	-
K thru 12 Education	861	-	861	-	-	861	-	861	-	-	861	-
Department of Education	-	-	-	-	-	-	-	-	-	-	-	-
Adult Education	-	-	-	-	-	-	-	-	-	-	-	-
American Indian Education Centers	102,858	61	102,919	-	-	108,858	-	108,858	-	-	111,433	-
Apportionments-County Offices	8,139,446	10,970	8,150,416	-	-	8,314,337	14,290	8,328,627	-	-	8,365,779	-
Apportionments-District	209,981	-	209,981	-	-	217,059	-	217,059	-	-	220,466	-
Apportionments-ROC/P	-	-	-	-	2,121	316,171	185	316,356	-	2,378	315,235	-
Child Development	38,592	-	38,592	-	433,145	41,039	-	41,039	-	463,610	41,039	-
Child Nutrition	-	-	-	-	-	-	-	-	-	-	680,117	-
Cost-Of-Living Adjustment	-	-	-	-	-	-	-	-	-	-	14,797	-
Curriculum Services	26,416	250	26,666	-	-	14,198	250	14,448	-	10,646	-	-
Demo Programs in Reading and Mathematics ..	4,367	-	4,367	-	-	4,367	-	4,367	-	-	4,367	-
Desegregation-Court Ordered	298,318	-	298,318	-	-	336,116	-	336,116	-	-	419,116	-
Desegregation-Voluntary	86,560	-	86,560	-	-	48,542	-	48,542	-	-	48,733	-
Set-Aside for Urban Impet Aid Pending Rpt	-	-	-	-	-	-	-	-	-	-	86,635	-
Driver Training	-	-	-	-	-	-	-	-	-	-	-	-
Ecia Chapter I (Compensatory Education)	-	19,500	19,500	-	-	-	20,136	20,136	-	-	20,136	-
Ecia Chapter II—Block Grant	-	-	-	-	293,873	-	-	-	-	333,461	-	-
Economic Impact Aid Program (EIA)	197,577	-	197,577	-	39,407	196,952	-	196,952	-	41,322	196,952	-
Education Improvement Incentive Program ..	980	-	980	-	-	-	-	-	-	-	-	-
Emergency Feeding Program (PL96-8)	-	-	-	-	976	-	-	-	-	-	-	-
TOTALS: EDUCATION	8,651	-	8,651	-	-	105,931	12,774	116,168	188,000	-	118,705	174,204
TOTALS: HEALTH AND ADULT CORRECTIONAL AGENCY AND EDUCATION	8,651	-	8,651	-	-	105,931	12,774	116,168	188,000	-	118,705	174,204
TOTALS: HEALTH AND ADULT CORRECTIONAL AGENCY AND EDUCATION	8,651	-	8,651	-	-	105,931	12,774	116,168	188,000	-	118,705	174,204

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued
(Figures in thousands)

Appendix 32

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued

	Actual 1986-87			Estimated 1987-88			Estimated 1988-89			
	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Fund	General Fund	Special funds	Budget Total	Selected Bond funds	Federal Funds
Commission on State Mandates	2	-	-	-	-	-	-	-	-	-
Department of Economic Opportunity	-	-	-	-	120,299	-	-	-	-	123,401
Totals, General Administration	57,083	67,997	125,080	-	135,842	60,994	71,165	132,159	-	151,789
Local Government Aid										
Tax Relief										
Senior Citizens Property Tax Assistance ..	5,314	-	5,314	-	-	4,836	-	4,836	-	-
Senior Citizens Property Tax Deferral	6,157	-	6,157	-	-	6,100	-	6,100	-	-
Senior Citizens Renters Tax Assistance	24,696	-	24,696	-	-	21,414	-	21,414	-	-
Homeowners' Property Tax Relief	338,884	-	338,884	-	-	344,748	-	344,748	-	-
Subventions for Open Space	14,889	-	14,889	-	-	14,500	-	14,500	-	-
Renters' Tax Relief	472,400	-	472,400	-	-	480,000	-	480,000	-	-
Substandard Housing	120	-	120	-	-	132	-	132	-	-
Energy Tax Credits	25	-	25	-	-	76	-	76	-	-
Totals, Tax Relief	862,495	-	862,495	-	-	871,800	-	871,800	-	-
Local Government Financing	125,203	-	125,203	-	-	132,969	21,440	154,409	-	-
Shared Revenues										
Apportionment Hwy Prop Rental Receipts ..	-	3,608	3,608	-	-	-	3,770	3,770	4,000	4,000
Apportionment Off Highway License Fees ..	-	815	815	-	-	-	800	800	800	800
Apportionment Fed Receipts Flood Contro ..	-	-	-	-	437	-	-	-	-	312
Apportionment Fed Receipts Forest Res	-	-	-	-	52,987	-	-	-	-	25,000
Apportionment Fed Receipts Grazing Land ..	-	-	-	-	139	-	-	-	-	120
Apportionment Fed Potash Lease Rentals	-	-	-	-	1,830	-	-	-	-	1,830
Apportionment of Trailer Coach Fees	-	15,901	15,901	-	-	14,200	-	14,200	-	-
Apportionment Motor Vehicle License Fee ..	-	1,546,858	1,546,858	-	-	1,696,780	-	1,696,780	-	13,600
Apportionment Cigarette Tax	-	75,597	75,597	-	-	75,000	-	75,000	-	1,807,620
Apportionment Tideland Revenues	264	-	264	-	-	450	-	450	-	73,500
Apportionment for County Roads	-	266,407	266,407	-	-	273,045	-	273,045	-	290,245
Apportionment for City Streets	-	196,989	196,989	-	-	197,373	-	197,373	-	202,290
Apportionment County Road & City Street ..	-	122,973	122,973	-	-	124,183	-	124,183	-	802,290
Financial Aid to Local Agencies	-	-	-	-	-	-	-	-	-	127,325
Apportionment of Geothermal Res Develop ..	-	3,797	3,797	-	-	3,800	-	3,800	-	-
Totals, Shared Revenues	264	2,232,945	2,233,209	-	55,383	2,383,951	3,800	2,389,401	3,800	3,800
Totals, Local Government Aid	987,962	2,232,945	2,220,907	-	55,383	1,005,219	2,410,391	3,415,610	2,513,180	2,513,630
Statewide Distributed Costs										
State Mandated Local Costs	15,110	340	15,450	-	-	3,242	977	4,219	45,819	46,467
Totals, Statewide Distributed Costs	15,110	340	15,450	-	-	3,242	977	4,219	648	46,467
Statewide Expenditures and Savings										
Construction & Repair of Local St & Rd	76,500	-	76,500	-	-	-	-	-	-	-
Universal Telephone Service Program	-	71,867	71,867	-	-	-	129,912	129,912	-	-
Estimated Unidentifiable Savings	-	-	-	-	-	-170,000	-	-170,000	-	-
Various Departments	-	-	-	-	-	-	-	-	-	-
Cntrl Section for Bdgt Enactment Procs ...	-	-	-	-	-	-	-	-	-	-
Totals, Statewide Expenditures and Savings ..	76,500	71,867	148,367	-	-	170,000	129,912	-40,088	-	-
TOTALS, GENERAL GOVERNMENT	1,136,665	2,373,149	3,509,804	-	191,225	899,455	2,612,445	3,511,900	2,584,119	191,908
TOTALS, LOCAL ASSISTANCE	23,720,676	2,783,714	26,504,390	622,025	9,744,144	24,894,569	2,941,077	27,835,646	1,098,331	10,395,338
CAPITAL OUTLAY										
LEGISLATIVE, JUDICIAL, AND EXECUTIVE										
Judicial										
Judiciary	-	17	17	-	-	-	215	215	-	-
Totals, Judicial	-	17	17	-	-	-	215	215	-	-
Executive/Governor										
Office of Emergency Services	-	-	-	-	-	-	-	-	150	150
Totals, Executive/Governor	-	-	-	-	-	-	-	-	150	150
Executive/Constitutional Offices										
Department of Justice	-	-	-	-	-	-	322	322	761	761

LEGISLATIVE, JUDICIAL, AND EXECUTIVE

Appendix 33

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued

Appendix 34

COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued

(Figures in thousands)

	Actual 1988-87			Estimated 1987-88			Estimated 1988-89				
	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	General Fund	Special funds	Budget Total	Bond funds	Federal Funds
Bd of Governors of Calif Comm Colleges ...	-	2,536	2,536	-	-	4,368	-	-	-	-	-
Totals, Higher Education.....	-	26,786	26,786	-	-	9,917	500	-	-	298,914	-
TOTALS, EDUCATION	-	26,786	26,786	-	-	9,917	500	-	180	298,914	-
GENERAL GOVERNMENT											
General Administration	-	16	16	-	-	433	-	-	-	-	-
Dept of Industrial Relations	-	1,448	1,448	-	-	1,033	-	-	196	-	-
Military Department	-	1,160	1,160	-	-	363	-	-	-	-	44,614
Totals, General Administration	-	2,624	2,624	-	-	1,829	-	-	196	-	44,614
Statewide Expenditures and Savings	-	150	150	-	-	300	1,000	367	300	667	500
Unallocated Capital Outlay	-	150	150	-	-	300	1,000	367	300	667	500
TOTALS, GENERAL GOVERNMENT	-	2,774	2,774	-	-	2,129	1,000	367	496	863	44,614
TOTALS, CAPITAL OUTLAY	10,304	432,495	442,799	2,393	354,576	357,065	1,276,878	442	216,030	216,472	1,235,172
UNCLASSIFIED											
RESOURCES											
Dept of Boating & Waterways	-	13,151	13,151	-	-	13,600	-	-	14,000	14,000	-
TOTALS, RESOURCES	-	13,151	13,151	-	-	13,600	-	-	14,000	14,000	-
GENERAL GOVERNMENT											
Statewide Expenditures and Savings	3,866	-	3,866	-	867	-	-	-	-	-	-
Federal Levy of State Funds	-	-	-	-	867	-	-	-	-	-	-
Totals, Statewide Expenditures and Savings	3,866	-	3,866	-	867	-	-	-	-	-	-
TOTALS, GENERAL GOVERNMENT	3,866	-	3,866	-	867	-	-	-	-	-	-
TOTALS, UNCLASSIFIED	3,866	13,151	17,017	-	867	13,600	-	-	14,000	14,000	-
TOTAL	31,469,006	5,649,486	37,118,492	961,255	6,157,633	39,500,261	2,399,385	36,100,541	6,259,946	42,360,487	1,936,676
State Operations	7,734,160	2,420,126	10,154,286	21,147	8,444,799	2,849,280	24,176	4,720,841	9,077,346	12,180,273	54,055
Local Assistance	23,720,676	2,783,714	26,504,390	622,025	2,941,077	27,835,646	1,088,331	10,395,338	27,022,753	29,949,742	1,441,582
Capital Outlay	10,304	432,495	442,799	318,083	2,393	354,676	1,276,878	981,825	442	216,030	441,039
Unclassified	3,866	13,151	17,017	-	867	13,600	-	-	14,000	14,000	-
BUDGET ACT TOTALS	29,944,201	2,801,325	32,745,526	139,127	3,048,954	35,174,267	416,511	35,153,320	3,328,131	38,481,451	509,258
State Operations	7,158,718	2,319,408	9,478,126	12,889	7,932,750	2,585,125	17,083	8,535,939	2,872,744	11,408,683	45,000
Local Assistance	22,785,425	2,097,702	24,883,127	63,639	2,481,163	24,541,357	147,562	10,129,604	25,207	26,899,588	100,515
Capital Outlay	58	272,215	272,273	62,599	271,277	215,035	251,506	333,458	173,180	362,943	751,872
BUDGET ACT ITEMS NOT INCLUDED IN TO-TALS	(11,382)	(53,944)	(65,326)	(-)	(28,101)	(235,118)	(-)	(48,809)	(111,533)	(180,942)	(-)
State Operations	100	16,923	17,023	-	12,500	85,377	-	459,494	43,617	46,174	-
Local Assistance	9,300	37,021	46,321	-	15,601	59,699	-	2,355,135	67,916	114,168	-
Capital Outlay	1,982	-	1,982	-	-	-	-	1,028	-	-	-
Unclassified	-	-	-	-	-	-	-	-	-	-	-
STATUTORY APPROPRIATIONS											
State Operations	404,802	2,606,647	3,011,449	565,433	16,590	2,848,651	915,058	455,013	2,867,221	3,322,234	1,318,909
Local Assistance	-11,473	101,424	89,951	138	51,638	191,609	7,123	2,742	213,483	216,225	8,155
Capital Outlay	416,275	2,492,072	2,908,347	557,387	425,798	2,643,442	907,935	451,944	2,639,738	3,161,642	1,310,754
Unclassified	-	-	-	16	-	-	-	367	-	367	-
Capital Outlay	-	13,151	13,151	-	13,600	13,600	-	14,000	14,000	14,000	-

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY CHARACTER, FUNCTION, ORGANIZATION UNIT AND FUND
FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued
(Figures in thousands)

Appendix 36

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1986, 1987, 1988, AND 1989
(In thousands)

Fund	Reserves June 30, 1986	Actual Income 1986-87	Actual Expenditures 1986-87	Reserves June 30, 1987	Estimated Income 1987-88	Estimated Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989
GENERAL FUND	714,111	32,510,868	31,469,006	1,763,973	33,578,404	33,342,623	961,749	36,248,516	36,100,541	1,109,724
Less Rebate per Article XIII B *	-	-	-	-1,138,000	-	-	-	-	-	-
Adjusted Reserve	-	-	-	625,973	-	-	-	-	-	-
SPECIAL FUNDS										
General Fund Special Accounts:										
Property Acquisition Law Money Account	2,250	910	6	3,154	666	1,643	2,177	658	1,721	1,114
Motor Vehicle Parking Facil Money Acct	769	2,290	2,402	647	2,677	2,776	548	2,983	2,946	685
Access for Handicapped Account	32	981	474	539	1,170	551	1,158	790	1,229	1,597
Attorney General Antitrust Account	767	927	376	1,318	-	413	905	-	429	476
Hazardous Waste Control Account	7,148	15,689	28,854	-6,037	47,227	35,879	5,311	45,868	46,496	4,683
Subsequent Injuries Money Account	76	1,946	2,000	22	2,000	2,000	22	2,000	2,000	22
Fingerprint Fees Account	5,032	8,191	10,014	3,269	11,600	11,614	3,195	12,648	12,648	3,344
Energy Loan Fund Account, State	-	168	168	-	174	174	-	190	190	-
Emergency Telephone Number Acct, State	10,338	46,644	45,211	11,771	43,901	50,391	4,681	61,916	58,341	8,256
Farm Labor Contractors Special Account	243	27	42	228	29	50	207	50	50	186
Motor Vehicle Insurance Account, State	5,434	8,760	10,122	4,072	9,042	9,979	3,135	11,076	11,168	3,043
Nuclear Planning Assessment Special Ac	-	885	870	15	1,100	1,100	15	1,100	1,100	15
County School Service Fd Contingency Ac	-	-	61	-61	-	-	-61	-	-	-61
Agricultural & Forestry Residue Util Ac	4,579	289	-	4,868	-4,943	-75	-	-75	-	-
Energy Conservation Assistance Ac, State	5,147	-5,725	-1,972	1,394	-4,349	-4,239	1,284	800	1,361	723
Geothermal Resources Development Account	1,279	5,463	6,686	56	6,761	6,700	117	6,761	6,700	178
Surface Mining and Reclamation Account	178	2,000	1,576	602	2,000	2,444	158	2,000	2,130	28
Special Account for Capital Outlay	121,487	111,798	114,652	118,633	120,400	215,154	23,879	164,665	164,487	24,057
Acala Cotton Fund	403	245	383	255	-	-	255	-	-	255
Auditor General Fund	847	-	-	847	-	-	847	-	-	847
Energy Efficiency Improvements Loan Fund	-	-	-	-	-	-2,750	2,750	-	2,750	-
Clean Fuels Account	-	-	-5,000	5,000	-	4,825	175	-	50	125
Hazardous Waste Mgmt Planning Subaccount	-	10,337	4,850	5,487	320	2,145	3,662	240	2,983	919
Local Jurisdiction Energy Assistance	-	-	-40,499	40,499	-	37,762	2,737	-	2,016	721
Local Agency Technical Assistance Acct	-	-	-	-	500	500	-	500	500	-
Methane Gas Hazard Reduction Account	-	-	-	-	500	-	500	-	400	100
Air Toxics Inventory and Assessment Acct	-	-	-	-	-	-	-	-	1,278	57
Solid Waste Disp Site Clump & Maintnre Ac	-	-	-	-	2,000	375	1,625	-	970	655
Underground Storage Tank Tester Account	-	-	-	-	217	217	-	-	240	523
Seismic Gas Valve Cert Fee Acct	-	-	-	-	75	75	-	79	79	-
Manufactured Home License Fee Account	5,277	16,570	17,713	4,234	16,000	16,025	4,209	15,400	15,431	4,178
Elevator Safety Account	492	2,241	2,188	545	2,472	2,321	496	2,472	2,574	394
Pressure Vessel Account	948	2,162	2,671	439	2,577	2,955	61	2,974	3,030	5
Hazardous Substance Subaccount	1,025	17,296	18,020	211	16,442	15,501	1,152	18,253	17,348	2,057
Mortgage Bd & Tax Credit Alloc Fee Acct	58	39	13	84	200	116	168	250	120	298
Site Operation and Maintenance Account	1,164	2,410	889	2,765	180	2,765	180	10	56	134
Dealers' Record of Sale Acct	-	845	814	31	887	887	31	901	901	31
Public Util Comm Transport Reimb Acct	542	4,504	3,651	1,385	4,783	4,095	2,083	3,441	4,623	901
Publ Utilities Comm Utilities Reimb Acct	10,718	38,395	38,075	11,038	40,105	38,518	12,625	33,253	42,407	3,471
First Offender Program Evaluation Fund	664	480	610	266	-268	266	-	-	-	-
Energy Resources Programs Account	8,253	34,084	40,033	2,314	36,414	37,883	835	44,490	38,984	6,341
State Fair Police Special Account, Calif	17	12	6	23	6	6	23	10	6	27
Narc Assit & Relinquish Crim Offend Fd	229	138	437	-	975	975	-	982	982	-
Farm Land Mapping Account	60	453	433	80	900	700	280	-280	-	-
Vietnam Veterans Memorial Account	-	216	-	216	-	26	190	-	26	164
Underground Storage Tank Fund	1,002	700	401	1,301	1,197	814	1,684	1,269	1,117	1,776
Underground Container Inventory Account	105	30	10	125	-69	56	-	-	-	-
Gaining Registration Fee Account	324	341	302	363	498	498	363	286	286	363
Mosquitoborne Disease Surveillance Acct	41	5	-	46	8	8	46	8	8	46

* See footnote in Schedule 1 for an explanation of the rebate pursuant to Article XIII B of the State Constitution.

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1986, 1987, 1988, and 1989—Continued

(In Thousands)

Fund	Reserves June 30, 1986	Actual Income 1986-87	Actual Expenditures 1986-87	Reserves June 30, 1987	Estimated Income 1987-88	Estimated Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989
Energy Tech Research, Dev. & Demo Act	4,387	2,720	3,788	3,319	826	3,344	801	1,600	1,846	555
Surface Impoundment Assessment Account	399	246	592	53	2,044	2,044	53	2,102	2,102	53
Armory Discretionary Improvement Account	79	75	43	111	110	110	111	110	120	101
Emergency Clean Water Grant Fund	3,600	-	45	3,555	-	3,555	-	-	-	-
Financial Responsibility Penalty Account	763	3,059	-	3,822	-101	-	3,721	186	-	3,907
Hazardous Waste Reduction Incentive Acc	2,600	194	-	2,794	378	3,172	-	-	-	-
Hazardous Waste Injection Well Account	-	-	-	-	-	-	-	-	3	-3
Peace Officers' Memorial Account	-	78	81	-3	463	460	-	25	25	-
Boer's Neurological Examination Account	67	151	122	96	189	152	133	190	170	153
Developmental Disabilities Services Act	-	-	-	-	1	-	1	1	-	2
Local Govt Geothermal Resource Subact	-	4,168	2,029	1,839	2,900	2,292	2,457	2,900	5,300	57
State Transportation Fund:										
Aeronautics Account STF	586	4,777	4,785	578	4,880	5,293	195	4,870	5,039	26
Highway Account, State, STF	628,931	1,053,551	1,289,505	392,977	1,034,941	1,211,891	216,027	1,109,103	1,295,307	29,823
Motor Vehicle Account, STF	117,292	753,036	766,877	103,451	778,178	795,934	83,695	813,122	800,285	92,532
Bicycle Lane Account, STF	766	518	759	525	510	518	548	702	702	5
Transport Planning & Develop Act, STF	45,394	18,574	53,641	10,327	41,514	51,746	95	66,456	66,276	275
Abandoned Railroad Account, STF	420	44	15	449	-	56	393	-	56	337
Hwy Patrol Enforc Act,Ca STF(Abol 6/86)	873	-873	-	-	-	-	-	-	-	-
Olympic Reflector License Plate Act STF	7	-	-	7	-	-	7	-	-	7
New Motor Vehicle Board Account	677	881	762	796	880	922	764	890	1,060	594
Transportation Tax Funds:										
Motor Vehicle Fuel Account, TTF	15,247	20,509	20,056	15,700	20,487	20,558	15,629	20,958	21,047	15,540
Highway Users Tax Account, TTF	-	586,369	586,369	-	594,601	594,601	-	609,890	609,890	-
Motor Vehicle License Fee Account, TTF	166,011	1,666,895	1,643,304	189,692	1,823,000	1,804,448	208,154	1,945,000	1,929,292	224,862
Feeder Funds:										
Cigarette Tax Fund	12,551	75,793	75,597	12,747	75,000	76,649	11,098	74,000	75,153	9,940
Other Governmental Cost Funds:										
Acupuncturists Fund	120	565	392	293	614	494	423	663	520	566
Agriculture Act, Ag Fund	31,583	58,038	55,016	34,605	52,775	57,746	29,634	53,390	58,516	24,498
Agricultural Pest Control Research Acct	809	94	6	897	82	112	867	88	330	625
Missing Children Reward Fund	-	24	-	24	-	-	2	-	-	21
Auctioneer Commission Fund	165	227	170	222	222	194	250	227	246	231
Air Pollution Control Fund	1,899	2,844	2,347	2,396	1,933	2,465	1,834	981	2,400	325
Alcoholic Beverage Control Appeals Fund	250	344	347	247	347	401	193	416	416	129
Animal Health Technician Exam Comm Fund	139	105	83	161	81	100	142	82	106	118
School Building Program Account-APB Fund	439	3,807	3,629	617	5,470	4,835	1,252	8,790	6,534	3,508
Hospital Building Account-APB Fund	8,457	14,022	14,022	8,362	14,455	15,696	7,131	15,329	15,641	6,819
Hosp Plan Chk Act, APB Fund	2,784	1,592	3,276	1,100	1,358	2,292	2,138	3,656	3,489	3,325
Rural Economic Development Fund	-	8,214	364	7,850	13,600	13,000	8,450	400	7,608	1,242
Agricultural Export Promotion Act, Ca	-	180	177	3	100	100	3	100	102	1
Assembly Contingent Fund	191	-	-147	338	-	338	-	-	-	-
Automotive Repair Fund	5,161	7,755	6,915	6,001	7,637	7,655	5,983	7,692	7,792	5,793
Water Device Certification Special Act	-	28	8	20	109	109	3	83	100	3
Avol Abatement Program Fund	3	-	-294	294	-	-	294	-294	-	-
Foster and Small Family Insurance Fund	-	3,815	3,672	143	76,471	70,608	6,006	80,143	80,557	5,592
Beverage Container Recycling Fund, Ca	-	-	-	-	20,000	20,000	-	20,000	20,000	-
Redemption Bonus Account	-	-	-	-	-	-	-	-	-	-
Aids Vaccine Research Develop Grant Fd	-	7,271	8	7,263	10,758	11,132	6,451	10,920	11,433	5,938
Banking Fund, State	5,340	11,175	9,690	6,825	5,270	5,203	1,748	3,624	5,223	149
Vital Record Improvement Project Fund	-	1,681	-	1,681	359	366	30	598	598	31
Drinking Driver Program Licensing Trust	-	261	224	37	21,407	23,796	8,320	21,255	24,366	5,209
Environmental License Plate Fund, Calif	-	22,856	19,558	10,709	-	-	-	1,580	1,056	384
Soil Conservation Fund	7,711	-	-	-	3,338	5,295	512	6,346	6,346	512
Health Data & Planning Fund, Ca	762	8,193	6,495	2,459	3,294	3,728	952	4,790	4,629	1,113
Water Fund, California	700	6,645	5,959	1,386	-	-	-	-	-	-

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1986, 1987, 1988, and 1989—Continued
(In Thousands)

Fund	Reserves June 30, 1986	Actual Income 1986-87	Actual Expenditures 1986-87	Reserves June 30, 1987	Estimated Income 1987-88	Estimated Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989
Commerce Marketing Fund	59,347	-	26,815	2,196	10	5,893	-3,607	10	-	22
Capital Outlay Fd for Public Higher Educ	-	-23,336	-	-	-	-	-	3,607	-	-
Unitary Fund, California	-	-	-	-	-	-	-	10,000	-	10,000
Chiropractic Examiners Fund	486	884	739	631	960	840	751	955	927	779
Collection Agency Fund	776	832	593	1,035	812	661	1,186	810	792	1,204
Assembly and Senate, Contingent Funds Of	36	-	15	21	-	-	21	-	-	21
Community College Credentials Fund	181	821	651	351	644	718	477	844	711	610
Delinquent Tax Collection Fund	-	-	-	-	-	-	-	-	5,228	-5,228
Structural Pest Control Research Fund	-	-	-	-	30	-	30	60	-	90
Debt Limit Allocation Committee Fund/Cal	-	-	-	-	-	-	-	-	222	-222
Corrections Training Fund	4,863	10,874	11,651	4,086	9,023	12,873	236	15,064	14,542	758
Debt Advisory Commission Fund Calif	3,622	1,064	1,956	2,760	936	1,041	2,655	936	1,080	2,511
Developmental Disabilities Prog Dev Fund	4,789	2,798	3,867	3,721	3,000	4,414	2,307	2,900	4,885	312
Dispensing Opticians Fund	283	59	132	210	221	160	271	100	167	204
Driver Training Penalty Assessment Fund	-	864	864	-	1,070	1,070	-	838	838	-
Personnel Services Fund	546	520	608	457	377	586	248	366	547	67
Employment Development Dept Benefit Audit	3,116	5,045	4,203	3,958	6,910	6,794	4,074	6,910	7,025	3,969
Employment Development Contingent Fund	-14,718	40,627	23,625	2,284	20,592	21,876	1,000	25,927	25,927	1,000
Energy Resources Surcharge Fund	-40	40	-	-	-	-	-	-	-	-
Energy and Resource Fund	1,820	-954	-282	1,148	-307	33	808	-632	-	176
Fair and Exposition Fund	3,667	19,782	21,009	2,410	20,552	18,767	3,985	25,036	23,613	5,418
Satellite Wagering Account	2,466	5,850	5,260	3,056	3,250	3,081	3,225	6,750	3,109	6,866
Fire and Arson Training Fund, Calif	3	1,197	1,164	36	1,470	1,383	123	1,407	1,414	116
Fireworks Licensing Fund, California	13	283	280	16	349	345	20	349	304	65
Fish and Game Preservation Fund	11,820	62,068	54,220	19,653	64,546	64,822	19,382	66,189	70,156	15,415
Fisheries Restoration Account	279	5,000	4,457	822	22,045	22,943	-	5,000	3,000	2,000
Genetic Disease Testing Fund	5,583	18,786	20,235	4,134	57	294	272	23,876	23,089	3,823
Geology and Geophysics Fund	251	388	203	436	242	284	372	236	272	413
Hearing Aid Dispensers Fund	389	199	174	414	1,086	1,076	372	275	290	357
Hazardous Liquid Pipeline Safety Calif	16	758	721	53	1,086	1,076	63	1,892	1,060	295
Restitution Fund	14,787	34,377	39,133	10,231	50,100	59,829	502	68,635	68,619	518
Industrial Development Fund	2,621	546	267	2,900	492	355	3,037	492	362	3,167
Industrial Rel Construction Enforce Fd	181	454	563	72	559	628	3	559	557	5
Insurance Fund	3,374	27,644	26,154	4,864	29,432	29,040	5,256	34,053	33,135	6,174
Industrial Loan Special Fund	63,000	-	-	63,000	-37,000	-	26,000	-6,000	-	20,000
Local Agency Deposit Fund	96	79	158	17	235	242	10	244	254	-
Loc Pub Prosecutors & Pub Defenders Trng	163	900	853	210	900	876	234	900	876	258
Methodone Program Licensing Trust Fund	192	149	335	6	407	339	74	412	405	81
Mobilehome Park Revolving Fund	70	1,981	2,042	9	2,017	2,026	-	2,014	2,014	-
Public Facilities Account/NDA Fund	10,590	719	2,265	9,044	555	2,345	7,254	375	2,345	5,284
Street and Highway Account/NDA Fund	23,403	1,640	15,637	9,406	645	2,571	7,380	428	2,571	5,137
Natural Disaster Acc.Nat Disaster Ast Fd	585	-	-93	678	-	-	678	-	-	678
Flood Disaster Account 1986	-	-	-3,493	3,493	-	-	-	-	-	-
Earthquake Emergency Invest Act/NDA Fd	-	-	-100	100	-	-	-	-	-	-
Southern Cal Earthquake Act 1987-NDA Fd	-	-	-	-	-	-52	52	-	52	-
Nursing Home Admin St Lie Exam Bd Fund	227	460	272	425	56	337	144	472	370	246
Off Highway License Fee Fund	580	793	814	559	800	800	559	800	800	559
Off Highway Vehicle Fund	26,434	14,704	14,073	27,065	13,242	24,907	15,400	22,667	23,149	14,318
Osteopathic Examiners Contingent Fund	382	436	337	481	430	448	463	430	488	405
Conservation & Enforcement Sw Ac-OHV Fd	-	-	-	-	5,089	-	5,089	-5,089	-	-
Peace Officers Training Fund	3,893	33,849	33,161	4,616	36,779	39,167	2,293	38,266	39,488	1,006
Physicians Assistant Fund	490	260	292	458	442	331	569	272	346	485
Pilot Commissioners Fund	78	215	285	8	494	448	54	489	445	108
Podiatry Fund	386	604	522	468	576	634	410	582	695	277
Polygraph Examiners Fund	37	31	65	3	80	83	-	119	118	11
Professional Forester Registration Fund	150	91	108	133	91	115	109	91	117	83
Private Post Secondary Admin. Fund	670	911	1,463	118	1,306	985	429	1,557	1,573	413

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1986, 1987, 1988, and 1989—Continued

(In Thousands)

Fund	Reserves June 30, 1986	Actual Income 1986-87	Actual Expenditures 1986-87	Reserves June 30, 1987	Estimated Income 1987-88	Estimated Expenditures 1987-88	Reserves June 30, 1988	Estimated Income 1988-89	Estimated Expenditures 1988-89	Reserves June 30, 1989
Psychology Fund	1,022	918	982	958	861	1,056	763	850	1,148	465
Real Estate Fund	16,688	21,216	21,434	16,470	20,567	22,570	14,467	21,417	23,571	12,313
Respiratory Care Fund	1,459	561	575	1,445	310	562	1,193	597	574	1,216
Electronic and Appliance Repair Fund	335	1,009	1,027	317	1,302	1,168	451	1,313	1,158	666
Sanitarian Registration Fund	182	98	98	182	175	132	225	103	128	240
Savings Association Spec Regulatory Fund	4,325	7,208	7,070	4,463	7,093	9,067	2,489	9,106	9,276	2,319
School Fund, State	27	32,407	32,407	27	51,936	51,932	31	51,936	51,932	35
School Building Lease-Purchase Fund/St	245,098	-	122,101	122,997	-15,000	43,729	64,258	-15,000	44,008	5,290
School Building Safety Fund	-	685	685	-	642	642	-	642	642	-
School Land Bank Fund	-	190	190	-	80	-	270	-	-	270
Senate Contingent Fund	403	-	-1,521	1,924	-	1,924	-	-	-	-
Mandates Claims Fund, State	15,000	-10,000	-	5,000	-	-	5,000	-	-	5,000
Speech Pathology & Audio Exam Comm Fund	273	51	175	149	272	229	192	35	239	-12
Bicycle License & Registration Fund, St	60	31	39	52	34	37	49	35	39	45
Dental Auxiliary Fund, State	294	494	574	214	697	671	240	888	717	411
Parks and Rec Act, St, Parks & Rec Fd	16,343	36,922	43,631	9,534	46,337	51,548	4,923	49,126	50,701	3,248
Fines & Forfeitures Act, Parks & Rec Fd	695	339	-	1,034	300	333	1,001	300	274	1,027
Self-Insurance Plans Fund	398	1,656	1,278	776	1,262	1,445	953	1,262	1,474	381
State Police Fund, California	64	75	-	139	75	42	172	75	206	26
Strong Motion Instrumentation Spec Fund	1,919	2,468	2,531	1,656	3,120	2,262	2,714	3,120	3,032	2,802
Structural Pest Cntrl Educ/enforcement Fd	206	148	90	264	128	92	300	132	99	333
Tax Preparers Fund	450	293	354	361	295	361	302	302	834	-209
Teacher Credentials Fund	1,617	9,099	8,477	2,239	8,469	9,139	1,569	6,704	6,405	1,668
Test Development and Admin Act, Tc Fd	-	-	-	-	338	-	338	3,043	3,135	246
Transcript Reimbursement Fund	124	316	275	165	152	269	28	302	303	27
Transportation Rate Fund	8,130	18,882	17,970	9,042	16,274	17,838	7,478	19,174	18,188	8,464
Universal Telephone Service Fund	77,128	48,284	72,107	53,305	76,797	130,102	-	-	-	-
Vehicle Inspection Fund	20,011	28,108	27,743	20,376	33,307	31,462	22,221	33,201	35,149	30,273
Victim Witness Assistance Fund	2,075	12,362	13,216	1,221	13,428	13,943	706	13,970	13,550	726
Wildlife Restoration Fund	3,664	1,846	1,241	4,269	2,204	3,888	2,585	1,278	3,581	292
Winter Recreation Fund	119	41	72	88	50	90	48	90	8	130
Professions and Vocations Funds:										
Accountancy Fund	2,290	2,637	3,061	1,866	3,259	3,712	1,413	4,837	4,463	1,767
Architectural Examiners Fd, Cal St Bd Of	2,515	1,795	1,696	2,604	1,735	2,848	1,491	1,808	3,447	-148
Barber Examiners Fund, State Board of	1,275	209	772	712	1,084	827	969	127	846	250
Cemetery Fund	267	362	265	364	310	290	384	313	322	375
Contractors License Fund	20,771	24,551	20,856	24,466	24,053	29,941	18,578	24,703	26,015	17,266
Cosmetology Contingent Fund, Board of	3,956	2,591	3,058	2,799	2,556	3,127	2,238	2,619	3,305	1,552
Dentistry Fund, State	66	2,730	2,121	675	2,914	2,539	1,050	2,983	2,714	1,319
Fabric Care Fund	-	-274	307	-	-	-	-	-	-	-
Funeral Directors and Embalmers Fund, St	193	341	395	139	454	434	169	482	539	112
Home Furnishings Fund, Bureau of	1,066	2,311	1,807	1,570	1,544	2,222	892	1,843	2,104	571
Dry Cleaning Account	-	456	456	178	42	36	184	-	-	108
Landscape Architects Fund, Cal St Bd of	240	166	283	123	546	331	338	218	367	189
Medical Quality Assurance, Contingent Fd	5,545	12,332	12,983	4,894	13,970	15,047	3,817	14,159	15,099	2,877
Physical Therapy Fund	453	330	388	475	330	366	336	336	379	396
Registered Nursing Fund, Board of	1,803	5,656	5,081	2,278	6,515	5,547	3,346	6,344	6,146	3,544
Optometry Fund, State	462	528	370	620	456	433	643	462	378	727
Pharmacy Board Contingent Fund	1,134	3,074	2,446	1,762	3,292	2,834	2,220	3,424	3,030	2,614
Private Investigator and Adjuster Fund	2,734	3,185	2,281	3,638	2,892	3,030	2,881	3,652	3,052	3,329
Professional Engineers Fund	1,399	3,720	3,333	1,786	3,855	3,348	2,293	3,824	3,530	2,897
Shorthand Reporters Fund	485	249	222	522	368	274	616	260	284	582
Behavioral Science Examiners Fund	342	979	1,089	232	1,308	1,307	233	1,417	1,592	58
Structural Pest Control Fund	5,244	3,094	1,966	6,342	2,132	2,132	6,598	2,452	1,978	7,072
Veterinary Examiners Contingent Fund, Bd	514	338	554	298	874	607	565	637	643	559
Vocational Nurses Account	3,250	2,022	2,104	3,168	2,084	2,172	3,090	2,108	2,865	2,583
Psychiatric Technicians Account	465	393	539	319	743	548	494	743	676	561

Schedule 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1986, 1987, 1988, and 1989—Continued
(In Thousands)

<i>Fund</i>	<i>Reserves June 30, 1986</i>	<i>Actual Income 1986-87</i>	<i>Actual Expenditures 1986-87</i>	<i>Reserves June 30, 1987</i>	<i>Estimated Income 1987-88</i>	<i>Estimated Expenditures 1987-88</i>	<i>Reserves June 30, 1988</i>	<i>Estimated Income 1988-89</i>	<i>Estimated Expenditures 1988-89</i>	<i>Reserves June 30, 1989</i>
Unspecified Special Funds:										
Augmentation for Employee Compensation	-	-	-	-	-	2,145	-2,145	-	52,169	-54,314
Payment of Specified Attorney Fees	-	-	-	-	-	150	-150	-	150	-300
Reserve for Contingencies Or Emergency	-	-	-	-	-	1,500	-1,500	-	1,500	-3,000
Section 3.60 Adjustments	-	-	-	-	-	-	-	-	-44,341	44,341
TOTALS, SPECIAL FUNDS	1,973,576	5,248,114	5,648,465	1,572,227	5,800,775	6,157,618	1,015,384	5,975,940	6,259,946	722,276
GRAND TOTALS	2,687,689	37,766,982	37,118,471	2,198,200	39,278,179	39,500,246	1,977,133	42,225,456	42,360,487	1,942,102

Schedule 11

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹

Fund	June 30, 1986				June 30, 1987			
	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *
NONGOVERNMENTAL COST FUNDS								
Public Service Enterprise Funds								
Antioch and Carquinez Straits Bridge Toll Revenue Fund	\$9	\$3,471	\$13,466	\$16,946	\$10	\$3,172	\$16,357	\$19,539
California Housing Finance Fund	42	473,688	440,342	914,072	47	473,688	340,613	814,348
California Water Resources Development Bond Fund	104	—	94,126	94,230	107	—	118,107	118,214
California National Guard Members Farm and Home Fund of 1978	15	2,267	5,623	7,905	15	2,268	4,685	6,968
Affordable Student Housing Revolving Fund	—	—	—	—	1	—	99	100
Central Valley Water Project Construction Fund	204	224,196	80,062	304,462	254	405,469	229,268	634,991
Central Valley Water Project Revenue Fund	739	—	147,220	147,959	737	—	162,048	162,785
California Exposition and State Fair Enterprise Fund	1	—	1,452	1,453	1	—	3,319	3,320
Compensation Insurance Fund	10	1,782,833	126,238	1,909,081	10	2,058,875	77,440	2,136,325
First-time Home Buyer Fund	3,186	12,946	—	16,132	5,719	5,211	—	10,930
Employment Training Fund	2	—	172,054	172,056	2	—	187,104	187,106
Harbor Bond Sinking Fund	203	—	—	203	600	—	—	600
Harbors and Watercraft Revolving Fund	502	—	39,551	40,053	503	—	47,237	47,740
Health Facility Construction Loan Insurance Fund	2	—	39,732	39,734	1	—	47,697	47,698
California Maritime Academy Continuing Education	93	—	—	93	37	—	—	37
New Antioch Bridge Construction Fund	1	—	33,411	33,412	1	—	38,982	38,983
High Tech Education Revenue Bond Fund	25	—	145,253	145,278	29	—	98,154	98,183
Richmond-San Rafael Toll Revenue Fund	1	—	21,116	21,117	2	—	23,903	23,905
San Diego-Coronado Bridge Construction Fund	11	—	21	32	10	—	23	33
Mobilehome Park Purchase Fund	1	—	3,487	3,488	1	—	5,087	5,088
California Main Street Program Fund	225	—	—	225	229	—	—	229
San Diego-Coronado Toll Revenue Fund	1	—	2,579	2,580	2	—	7,682	7,684
San Francisco-Oakland Bay Bridge Toll Revenue Fund	26	—	127	153	25	—	138	163
San Francisco Seawall Sinking Fund No. 2	610	—	—	610	—	—	—	—
San Francisco Seawall Sinking Fund No. 3	145	—	—	145	143	—	—	143
Small Craft Harbor Bond Fund	2	—	31	33	2	—	31	33
Small Craft Harbor Improvement Fund	11	—	1,991	2,002	10	—	2,379	2,389
State Lottery Fund	2	—	224,698	224,700	2	—	107,880	107,882
State Coastal Conservancy Fund	1,650	—	—	1,650	2,513	—	—	2,513
Uninsured Employers Account	2,323	—	—	2,323	933	—	—	933
Asbestos Workers Account	1,928	—	—	1,928	1,854	—	—	1,854
State University and Colleges Continuing Education Revenue Fund	102	—	20,061	20,163	101	—	23,584	23,685
State University and Colleges Dormitory Building Maintenance and Equipment Reserve Fund	32	—	20,967	20,999	31	—	24,868	24,899
State University and Colleges Dormitory Construction Fund	385	—	41,907	42,292	382	—	45,898	46,280
State University and Colleges Dormitory Interest and Redemption Fund	43	—	29,183	29,236	41	—	30,216	30,257
State University and Colleges Dormitory Revenue Fund	713	—	45,506	46,219	711	—	56,384	57,095
State University and Colleges Facilities Revenue Fund	2	—	390	392	1	—	423	424
State University and Colleges Parking Revenue Fund	2	—	3,136	3,138	2	—	3,741	3,743
Toll Bridge Construction Fund	9	—	95,748	95,757	11	—	111,798	111,809
Unemployment Compensation Disability Fund	10	—	75,548	75,558	11	—	270,834	270,845
Veterans Debenture Revenue Fund	6	33,926	73,643	107,575	5	64,024	66,564	130,593
Indemnity—Veterans Fund	2	—	7,571	7,573	2	—	3,660	3,662
Veterans Farm and Home Building Fund of 1943	118	—	935,000	935,118	114	271,325	909,325	1,180,764
Vincent Thomas Bridge Toll Revenue Fund	2	—	2,664	2,666	2	—	3,801	3,803

¹ Only includes funds with balances.

* Dollars in thousands

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY —Continued

Fund	June 30, 1986				June 30, 1987			
	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *
Working Capital and Revolving Funds								
Agriculture Building Fund.....	\$2	-	\$420	\$422	\$2	-	\$446	\$448
Architecture Revolving Fund.....	55,508	-	-	55,508	91,232	-	-	91,232
Ballot Paper Revolving Fund.....	330	-	-	330	347	-	-	347
Community College District Organization Revolving Fund.....	200	-	-	200	200	-	-	200
County Formation Revolving Fund.....	85	-	-	85	85	-	-	85
General Obligation Bond Expense Revolving Fund.....	42	-	-	42	73	-	-	73
Health and Welfare Agency Data Center Revolving Fund.....	1,216	-	-	1,216	5,152	-	-	5,152
Rural Redevelopment Loan Fund.....	2	-	2,175	2,177	1	-	1,750	1,751
Mobilehome Manufactured Home Revolving Fund.....	2	-	3,004	3,006	1	-	443	444
Old Age and Survivors Insurance Revolving Fund.....	26,216	-	-	26,216	13,962	-	-	13,962
Public Building Construction Fund.....	51	-	165,722	165,773	56	-	469,042	781,185
Public School District Organization Revolving Fund.....	333	-	-	333	227	\$312,087	-	227
Revolving Loan Fund.....	2	-	-	2	3	-	-	3
Rehabilitation Revolving Loan Guarantee Fund.....	2	-	298	300	2	-	302	304
Service Revolving Fund.....	3,980	-	-	3,980	24,847	-	-	24,847
Supported Employment Revenue Loan Guarantee Account.....	1	-	199	200	1	-	215	216
State Clean Water Grants Administration Revolving Fund.....	254	-	-	254	254	-	-	254
Passenger Equipment Acquisition Fund.....	2	-	5,516	5,518	2	-	9,390	9,392
State Payroll Revolving Fund.....	510,692	-	-	510,692	540,400	-	-	540,400
Prison Industries Revolving Fund.....	1	-	2,756	2,757	1	-	959	960
State Water Quality Control Fund.....	8,007	-	-	8,007	10,577	-	-	10,577
Surplus Property Revolving Fund.....	25	-	904	929	-	-	-	-
Surplus Money Investment Fund.....	7,460,875	-	-	7,460,875	7,947,397	-	-	7,947,397
Inmate Construction Revolving Account.....	9,602	-	-	9,602	17,417	-	-	17,417
Stephen P. Teale CDC Revolving Fund.....	2,544	-	-	2,544	1	-	5,730	5,731
New Industries Revolving Account.....	1	-	9,749	9,750	2	-	3,416	3,418
Donated Food Revolving Fund.....	2	-	1,717	1,719	1	-	7,154	7,155
Surplus Personal Property Revolving Fund.....	159	-	-	159	13	-	-	13
Water Resources Revolving Fund.....	51	-	12,489	12,540	50	-	7,060	7,110
Water Resources Control Board Revolving Fund.....	64	-	-	64	94	-	-	94
Consumer Affairs Fund.....	101	-	6,225	6,326	100	-	11,640	11,740
Bond Funds								
California Safe Drinking Water Fund.....	43,288	-	-	43,288	32,128	-	-	32,128
Hazardous Substance Cleanup Fund.....	1	-	44,740	44,741	2	-	39,848	39,850
Health Science Facilities Construction Program Fund.....	2	-	1,574	1,576	1	-	1,705	1,706
Lake Tahoe Acquisition Fund.....	28,809	-	-	28,809	15,791	-	-	15,791
Parklands Fund of 1980.....	30,098	-	-	30,098	7,751	-	-	7,751
Parkland Fund of 1984.....	47,794	-	-	47,794	3,622	-	-	3,622
New Prison Construction Fund.....	197,668	-	-	197,668	63,495	-	-	63,495
1984 Prison Construction Fund.....	232,310	-	-	232,310	91,035	-	-	91,035
County Jail Capital Expenditure Fund.....	1	-	58,840	58,841	1	-	22,758	22,759
1984 County Jail Capital Expenditure Fund.....	2	-	67,222	67,224	2	-	7,159	7,161
Recreation & Fish & Wildlife Enhancement Fund.....	2,867	-	-	2,867	2,787	-	-	2,787
Senior Center Bond Act Fund.....	48,575	-	-	48,575	37,711	-	-	37,711
State Coastal Conservancy Fund of 1984.....	4,408	-	-	4,408	271	-	-	271
California Alternative Energy Authority Fund.....	313	-	-	313	367	-	-	367
State Beach, Park, Recreational and Historical Facilities Fund.....	696	-	-	696	405	-	-	405
State Beach, Park, Recreational and Historical Facilities Fund of 1974..	7,807	-	-	7,807	7,147	-	-	7,147
State Clean Water Fund.....	10,064	-	-	10,064	6,581	-	-	6,581
State Construction Program Fund.....	1,830	-	-	1,830	1,381	-	-	1,381
State Clean Water and Water Conservation Fund.....	43,564	-	-	43,564	11,169	-	-	11,169
State School Building Aid Fund.....	21,945	-	-	21,945	33,652	-	-	33,652
State Clean Water Bond Fund of 1984.....	24,462	-	-	24,462	16,693	-	-	16,693
State, Urban, and Coastal Park Fund.....	14,932	-	-	14,932	10,022	-	-	10,022
State School Building Lease-Purchase Fund.....	134,741	-	-	134,741	30,236	-	-	30,236
Fish and Wildlife Habitat Enhancement.....	15,713	-	-	15,713	4,284	-	-	4,284
New Prison Construction Revenue Fund.....	2	-	104,386	104,388	1	-	20,077	20,078

* Dollars in thousands

II. Applications

June 30, 1986

* Dollars in thousands

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY —Continued

	June 30, 1986				June 30, 1987			
Fund	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *	Cash *	Securities *	Due from Surplus Money Investment Fund *	Totals *
Local Agency Investment Fund.....	4,098,679	—	—	4,098,679	4,894,004	—	—	4,894,004
Farmworker Housing Grant Fund.....	5,018	—	—	5,018	3,435	—	—	3,435
Forest Resources Improvement Fund.....	10,085	—	—	10,085	2	—	6,594	6,596
Housing Rehabilitation Loan Fund.....	1	—	7,269	7,270	2	—	—	6,598
Pollution Control Financing Authority Fund.....	17	2,056	14,590	16,663	21	28,882	15,561	44,464
Local Agency Indebtedness Fund.....	1,863	—	—	1,863	—	—	—	1,862
Homeownership Assistance Fund.....	1	—	3,479	3,480	2	—	3,010	3,012
Rental Housing Construction Incentive Fund.....	3	—	41,533	41,536	3	—	41,350	41,353
Nutrition Reserve Fund.....	693	—	—	693	1,089	—	—	1,089
Renewable Resources Investment Fund.....	7,348	—	—	7,348	6,821	—	—	6,821
Santa Monica Mountains Conservancy Fund.....	810	—	—	810	604	—	—	604
Special Deposit Fund.....	233,161	19	22,016	255,196	43,068	19	49,526	92,613
Land Bank Fund.....	2	—	748	750	1	—	1,814	1,815
Student Security Trust Fund.....	2	—	9	11	2	—	11	13
California State University and Colleges Special Project Fund.....	11	—	1,680	1,691	11	—	3,583	3,594
California State University and Colleges Trust Fund.....	11	—	22,900	22,911	11	—	27,546	27,557
State Employees Contingency Reserve Fund.....	2	5,176	—	5,178	8	1,003	—	1,011
State Guaranteed Loan Reserve Fund.....	21	—	114,412	114,433	21	—	137,272	137,293
State Park Contingent Fund.....	393	—	10	403	390	—	100	490
Student Loan Authority Fund.....	4,398	—	—	4,398	2	—	4,467	4,469
State Instructional Materials Fund.....	29,808	—	—	29,808	26,749	—	—	26,749
State School Site Utilization Fund.....	4,010	—	—	4,010	5,221	—	—	5,221
Foster Parent Training Fund.....	152	—	—	152	481	—	—	481
Student Tuition Recovery Fund.....	2	—	1,080	1,082	1	—	1,277	1,278
State School Deferred Maintenance Fund.....	730	—	—	730	3	—	—	3
Volunteer Firefighters Length of Service Award Fund.....	—	368	—	368	6	444	—	450
Teacher Tax Shelter Annuity Fund.....	270	202,249	—	202,519	1,697	14,183	—	15,880
Mediterranean Fruit Fly Claim.....	3,273	—	—	3,273	3,535	—	—	3,535
Timber Tax Fund.....	1	—	319	320	—	—	349	350
Traffic Adjudication Fund.....	16	—	—	16	—	—	—	—
Unclaimed Property Fund.....	501	335	33,570	34,406	40,333	335	—	40,668
Mobilehome Recovery Fund.....	770	—	—	770	2	—	1,230	1,232
Asbestos Abatement Fund.....	9,731	—	—	9,731	22,005	—	—	22,005
Child Care Fund.....	897	—	—	897	765	—	—	765
Urban Housing Development Loan Fund.....	2	—	2,060	2,062	1	—	3,797	3,798
California State World Trade Commission Fund.....	138	—	—	138	96	—	—	96
California Urban Waterfront Area Resource Financing Authority.....	1	—	45	46	2	—	17	19
California Seniors Fund.....	2	—	443	445	2	—	537	539
Rural Community Facility Grant.....	154	—	—	154	50	—	—	50
Emergency Housing and Assistance Fund.....	1	—	8,709	8,710	1	—	—	—
TOTALS, NONGOVERNMENTAL COST FUNDS.....	\$13,693,268	\$68,839,032	\$5,340,485	\$87,872,785	\$14,325,844	\$55,795,971	\$5,515,720	\$75,637,535
GOVERNMENTAL COST FUNDS								
General Fund.....	—	—	—	—	529,383	—	—	529,383
Transportation Funds.....	1,117	—	1,395,975	1,397,092	1,239	—	1,453,024	1,454,263
General Fund Special Accounts.....	1,621,035	2,259	544,678	2,167,972	2,030,537	2,146	843,708	2,876,391
OTHER BALANCES								
Agency Bank Accounts.....	403,425	—	—	403,435	505,413	—	—	505,413
Uncleared Collections.....	6,223	—	—	6,223	9,864	—	—	9,864
Outstanding Warrants.....	817,260	—	—	817,260	541,380	—	—	541,380
Fiscal Agents.....	2,410,251	—	—	2,410,251	2,882,984	—	—	2,882,984
Pooled Money Investment Account.....	—16,076,928	16,076,928	—	—	—17,591,687	17,591,687	—	—
Time Deposits in Banks.....	—585,700	585,700	—	—	—686,900	686,900	—	—
TOTALS.....	\$2,289,961	\$85,503,919	\$7,281,138	\$95,075,018	\$2,548,057	\$74,076,704	\$7,812,452	\$84,437,213

* Only includes funds with balances.

* Dollars in thousands

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89**
(In thousands of dollars)

Purpose and Legal Citation AUTHORIZED BY CONSTITUTION	Actual 1986-87		Estimated 1987-88		Estimated 1988-89	
	General Fund	Total	General Fund	Special funds	General Fund	Special funds
STATE OPERATIONS						
BUSINESS, TRANSPORTATION, AND HOUSING						
Statewide Distributed Costs						
General Obligation Bonds						
General Obligation Bonds (BT&H)	1,371	1,371	1,371	-	778	-
RESOURCES						
General Obligation Bonds						
General Obligation Bonds (Resources) ...	218,595	218,595	205,705	-	200,053	-
HEALTH AND WELFARE						
General Obligation Bonds						
General Obligation Bonds (H&W)	6,129	6,129	5,867	-	5,605	-
YOUTH AND ADULT CORRECTIONAL AGENCY						
General Obligation Bonds						
General Obligation Bonds (YACA)	130,613	130,613	133,765	-	153,393	-
EDUCATION						
K thru 12 Education						
General Obligation Bonds						
General Obligation Bonds (Educ-K-12)	89,015	89,015	96,797	-	119,654	-
Higher Education						
General Obligation Bonds						
General Obligation Bonds (Higher Education)	37,763	37,763	37,112	-	53,775	-
GENERAL GOVERNMENT						
Debt Service						
Bond Interest and Redemption	526,686	526,686	521,271	-	568,188	-
Less Amounts Shown In Agency Totals ..	-526,686	-526,686	-521,271	-	-568,188	-
Statewide Distributed Costs						
General Obligation Bonds						
General Obligation Bonds (General Government)	43,200	43,200	40,654	-	34,930	-
LOCAL ASSISTANCE						
LEGISLATIVE, JUDICIAL, AND EXECUTIVE						
Judicial						
Salaries of Trial Court Judges						
Article 3 Section 4 of the State						
Constitution	1,315	1,315	-	-	-	-
TOTALS, CONSTITUTIONAL REQUIREMENT ..	528,001	528,001	521,271	-	568,188	-
AUTHORIZED BY STATUTES						
STATE OPERATIONS						
LEGISLATIVE, JUDICIAL, AND EXECUTIVE						
Legislative						
Legislature						
Senate						
Government Code Section 9129	-	57,523	-	64,520	-	64,944
Less Transfer From General Fund	-	-59,044	-	-62,596	-	-64,944

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued**
(In thousands of dollars)

Purpose and Legal Citation	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Total	General Fund	Special funds	Total	General Fund	Special funds	Total
Assembly									
Government Code Section 9129	-	88,335	88,335	-	93,552	93,552	-	98,101	98,101
Less Transfer From General Fund	-	-88,482	-88,482	-	-93,214	-93,214	-	-98,101	-98,101
Contributions to Legislator Retire Fund									
Government Code Section 9358	861	-	861	990	-	990	1,100	-	1,100
Office of the Auditor General									
Less Transfer From General Fund	-	-9,110	-9,110	-	-9,805	-9,805	-	-9,865	-9,865
Government Code Section 10507	-	9,110	9,110	-	9,805	9,805	-	9,865	9,865
(Chapter 833, Statutes of 1985)									
Judicial									
Contributions to Judges Retirement Fund									
Government Code Section 75101	673	-	673	643	-	643	778	-	778
Executive/Governor									
Office of Emergency Services	-	-	-	-	15,300	15,300	-	-	-
Government Code Sec 8690.8	-	-	-	-	-15,300	-15,300	-	-	-
Less Transfer From General Fund	-	-	-	-	-	-	-	-	-
Government Code Section 8690.6 (Disaster Response-Emergency Operations Account)	-	-	-	900	-	900	-	-	-
Executive/Constitutional Offices									
State Controller									
Government Code Sections 8290.2, 8290.4 And 8290.5	-	1,540	1,540	-	-	-	-	-	-
STATE AND CONSUMER SERVICES									
Department of Consumer Affairs									
Board of Accountancy									
Business & Professions Code Article 10, Div 3, As Amended By Chapter 218/85 ..	-	55	55	-	65	65	-	65	65
Bureau of Home Furnishings									
Business & Professions Code Sec 19236 (Added By Ch 478/86)	-	98	98	-	-	-	-	-	-
Certified Shorthand Reporters Board	-	275	275	-	289	289	-	303	303
Business & Professions Code Sec 8030.2 ..	-	-	-	-	-	-	-	-	-
Franchise Tax Board									
Military & Veterans Code Section 1306 (Chapter 1193/87)	-	-	-	-	26	26	-	26	26
Revenue and Tax Code Sec 18839	-	-	-	-	-	-	-	5,228	5,228
(Ch 613/87, Repealed Jan 1, 1992)									
Total Dept of General Services	-	4,727	4,727	-	-	-	-	-	-
Education Code Section 17708	-	2,402	2,402	-	-	-	-	-	-
Government Code Section 14678	-	10,122	10,122	-	8,354	8,354	-	9,291	9,291
Government Code Section 16379	-	3,629	3,629	-	-	-	-	-	-
Government Code Sections 15371-15466 ..	-	474	474	-	-	-	-	-	-
Government Code Sections 4450-4458	-	3,276	3,276	-	-	-	-	-	-
Health and Safety Code Section 15371	-	-	-	-	-	-	-	-	-
BUSINESS, TRANSPORTATION, AND HOUSING									
Business									
Department of Commerce									
Government Code Section 15373.2(E)	-	-	-	-	-	-	-	22	22
Dept of Housing & Community Development									
Health and Safety Code Section 50533.5 (Chapter 1630, Statutes of 1984)	-	-	-	18	-	18	-	-	-
Transportation									
Dept of Transportation	-	166	166	-	-	-	-	-	-
Government Code Sections 8690.2-8690.5									

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued**
(In thousands of dollars)

Purpose and Legal Citation	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Total	General Fund	Special funds	Total	General Fund	Special funds	Total
Dept of the California Highway Patrol									
Prior Year Adjustment for Oasdi Per									
Gc Sec 27825	-	1	1	-	-	-	-	-	-
Prior Year Exp Adjustment for Health									
Benefits Per Gc Sec 27825	-	-6	-6	-	-	-	-	-	-
RESOURCES									
Special Resources Program									
Public Resources Code Sec 6217.4									
(Chapter 1079/86)	514	-	514	-	-	-	-	-	-
St Assist Fd Energy Ca Bus Industry Dev									
Loan Repayment Per Financial Code Sec									
32930-32983	-	-88	-88	-	-104	-104	-	-113	-113
Energy Resources Conservation & Dev Com									
Public Resources Code Section 25402.1 ...	-	-	-	-	300	300	-	300	300
Contract Repayments Per Public									
Resources Code Section 25637	-	-	-	-	-75	-75	-	-75	-75
Loan Repayment Per Public Resources Code									
Sec 25410-25421 (Schools & Hospitals) ...	-	-3,801	-3,801	-	-3,112	-3,112	-	-2,582	-2,582
Sec 25410-25421 (Streightlight Conversion)	-	-2,052	-2,052	-	-1,237	-1,237	-	-1,323	-1,323
Renewable Resources Investment Program									
Public Resources Code Section 3825									
(Transfer to Renewable Resources Inv) ..	-	2,889	2,889	-	2,900	2,900	-	2,900	2,900
Department of Conservation									
Government Code Section 14581									
(Chapter 1290/86)	-	-	-	-	90,608	90,608	-	100,557	100,557
Public Resources Code Section 14580									
(Ch 1290/86-Loan From General Fund) ..	-	3,672	3,672	-	-	-	-	-	-
Department of Forestry and Fire Protect									
Government Code Section 8690.6 (Disaster									
Response Emergency Operations Account	-	-	-	10,000	-	10,000	-	-	-
Department of Water Resources									
Water Code Section 12938	-	3,414	3,414	-	1,261	1,261	-	1,262	1,262
Government Code Section 8690.2, 8690									
And 8690.3	-	331	331	-	-	-	-	-	-
Payment of Interest on Pmia Loans									
Payment of Interest on Pmia Loans	-	-	-	13,770	-	13,770	13,250	-	13,250
HEALTH AND WELFARE									
Dept of Health Services									
Health & Safety Code Section 25330.5									
(Ch 1044/83, Sec 5)-Toxics	-	809	809	-	2,765	2,765	-	56	56
Employment Development Dept									
Unemployment Insurance Code Sec 1586	-	191	191	-	1,000	1,000	-	1,000	1,000
YOUTH AND ADULT CORRECTIONAL AGENCY									
Payment of Interest on Pmia Loans									
Payment of Interest on Pmia Loans	-	-	-	28,350	-	28,350	26,950	-	26,950
EDUCATION									
K thru 12 Education									
Payment of Interest on Pmia Loans									
Payment of Interest on Pmia Loans	-	-	-	14,580	-	14,580	13,800	-	13,800
Higher Education									
Payment of Interest on Pmia Loans									
Payment of Interest on Pmia Loans	-	-	-	24,300	-	24,300	23,000	-	23,000

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued**
(In thousands of dollars)

Purpose and Legal Citation	Actual 1986-87		Estimated 1987-88		Estimated 1988-89	
	General Fund	Special funds	General Fund	Special funds	General Fund	Special funds
GENERAL GOVERNMENT						
General Administration						
Comm on Peace Officer Standards & Train	-	-	-	2	-	-
Interest Expense on General Fund Loan						
Penal Code Section 15004 (Repeal Date	-	80	-	458	-	25
1-1-88, Amended By Ch 157/87)						
California Exposition and Fairs						
Business & Professions Code	-	265	-	265	-	265
Section 19622 (A)						
Total Dept of Food and Agriculture						
Business & Professions Code Sec 19596.10	-	50	-	-	-	-
Food & Agriculture Code Sec 52945	-	384	-	-	-	-
Food & Agriculture Code Section 221	-	36,872	-	38,078	-	38,678
Food & Agriculture Code Sec 505 (Loan						
Repayments From Ethanol Fuel Loans)	-	-99	-	-75	-	-33
Food & Agriculture Code Section 58582						
(Ch 932/86)	-	177	-	-	-	-
Food and Agriculture Code Section 226						
(Ch 1346/86, Annual \$100.00 Approp)	-	-	-	-	-	100
Food and Agriculture Code Section 58582						
(Ch 932/86)	-	-	-	100	-	102
Fair Political Practices Commission						
Government Code Section 83122	2,502	-	2,864	-	3,049	-
Public Utilities Commission						
Revenue & Taxation Code Sec 44181	-	70	-	-	-	-
Board of Control						
Government Code Section 13967	-	33,073	-	47,317	-	57,340
Government Code Section 13974.1						
(Chapter 249/86)	-	-	-	1	-	2
Debt Service						
Payment of Interest on Pmia Loans						
Government Code Sec 16312 (Chapter 6/	-	-	-	-	-	-
87)	-	-	81,000	-	77,000	-
Less Amounts Shown In Agency Totals	-	-	-81,000	-	-77,000	-
Payment of Interest on Gen Fund Loans						
Government Code Sections 17300-17313	113,285	-	80,500	-	57,000	-
Statewide Expenditures and Savings						
Statewide Gen. Adm Exp (Pro Rata)	-	96	-	161	-	87
Government Code Sec 13332.03						
Govt Code Sec 11270-11275 & 22528.5	-	-	-103,859	-	-112,505	-
General Fund Credits From Special Funds	-102,963	-	-	-	-	-
General Fund Credits From Federal Funds						
Government Code Sec 13332.02	-26,345	-	-21,418	-	-23,680	-
General Fund Credits From Federal Funds						
LOCAL ASSISTANCE						
LEGISLATIVE, JUDICIAL, AND EXECUTIVE						
Judicial						
Contributions to Judges Retirement Fund						
Government Code Section 75101	8,145	-	8,266	-	9,526	-
Executive/Governor						
Office of Emergency Services						
Government Code Sections 8690.2,	-	2,363	-	5,016	-	5,016
8690.4 & 8690.5						

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued**
(In thousands of dollars)

Purpose and Legal Citation	Actual 1986-87		Estimated 1987-88		Estimated 1988-89	
	General Fund	Special funds	General Fund	Special funds	General Fund	Special funds
BUSINESS, TRANSPORTATION, AND HOUSING						
Business						
Department of Commerce						
Govt Code Sec 15373.2(E) (Ch 1147/86)	-	364	-	8,000	-	7,586
Reverts to Sufco July 1, 1991						
Transportation						
Dept of Transportation						
Less Transfer From General Fund	-	-	-	-540	-	-540
Public Utilities Code Sec 21602						
(As Amended By Ch 901/86)	-	-	-	540	-	540
Public Utilities Code Section 21680						
(Airport Acquisition/Development)	-	1,437	-	1,411	-	1,160
(Cities, Counties, Airport Districts)	-	960	-	950	-	950
RESOURCES						
Energy Resources Conservation & Dev Com						
Loan Repayments Per Public Resources						
Code 25416(B)	-	-285	-	-	-	-
Public Resources Code Sec 3822 (Transfer						
From Geothermal Resources Devel Ac-						
count)	-	2,329	-	2,282	-	5,300
EDUCATION						
K thru 12 Education						
Department of Education						
Education Code Section 14002	-	10,614,676	-	10,801,415	-	11,545,817
Less Transfer From General Fund	-	-10,584,206	-	-10,751,999	-	-11,496,401
Education Code Section 14035						
Co School Service Fund Contingency Acct	-	61	-	-	-	-
Dept of Education—Headquarters						
Education Code Section 14002	-	-	-	-	-	-
Less Transfer From General Fund	-	-	-	-	-	-
Contributions to Teachers Retire Fund						
Education Code Section 23401	232,893	232,893	241,882	241,882	254,218	254,218
Education Code Section 23402	120,000	120,000	140,000	140,000	160,000	160,000
State School Building Safety Program						
Education Code Sections 19700.745 and						
19700.746—Repayment on Loans to Schools	-	-1,222	-	-1,258	-	-1,258
School Facilities Aid Program						
Education Code Section 17735						
(Tidelands Oil Revenue)	-	116,359	-	35,000	-	35,000
Education Code Section 17780 (Transfer						
To School Deferred Maintenance Fund)	64,317	64,317	64,367	64,367	48,044	48,044
Debt Service Public Sch Building Bonds						
Education Code Section 16980	-	1,907	-	1,900	-	1,900
Education Code Sections 15903, 16403,						
16504, 16604, 16804, 17006, Et Al	-66,224	-66,224	-66,267	-66,267	-49,944	-49,944
Higher Education						
Bd of Governors of Calif Comm Colleges						
Less Transfer From General Fund	-	-1,200,525	-	-1,242,065	-	-1,328,112
Article 9, Sec 6, Education Code Part 50						
Chapter 4.5 and Chapter 323/76	-	1,200,525	-	1,242,065	-	1,328,112
Education Code Section 12320						
(Federal Oil & Mineral Revenue)	-	1,936	-	2,516	-	2,516
GENERAL GOVERNMENT						
General Administration						
Total Dept of Food and Agriculture	-	4,218	-	-	-	-
Business and Prof Code 19596.5(C)						

Schedule 12

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89—Continued**
(In thousands of dollars)

Purpose and Legal Citation	Actual 1986-87			Estimated 1987-88			Estimated 1988-89		
	General Fund	Special funds	Total	General Fund	Special funds	Total	General Fund	Special funds	Total
Food and Agriculture Code Sec 224(C) ..	-	4,709	4,709	-	4,709	4,709	-	4,709	4,709
Business & Professions Code Sec 19622(B) ..	-	250	250	-	250	250	-	250	250
(L.a. County Fair)	-	250	250	-	250	250	-	250	250
Business & Professions Code Sec 19622(C) ..	-	150	150	-	150	150	-	150	150
(District I.A. Agricultural Assoc.)	-	150	150	-	150	150	-	150	150
Business & Professions Code Sec 19626 ..	-	150	150	-	150	150	-	150	150
(Citrus Fruit Fairs)	-	150	150	-	150	150	-	150	150
Business & Professions Code Sec 19627 ..	-	-	-	-	-	-	-	-	-
(County & District Agricultural Assoc.) ..	-	-	-	-	-	-	-	-	-
Business & Professions Code Sec 19627(A) ..	-	6,285	6,285	-	6,635	6,635	-	6,460	6,460
(District Agricul Assoc & County Fair) ..	-	6,285	6,285	-	6,635	6,635	-	6,460	6,460
Business and Professions Code	-	42	42	-	45	45	-	45	45
Section 12539	-	473	473	-	396	396	-	225	225
Section 19627.2	-	2,298	2,298	-	2,250	2,250	-	2,250	2,250
Section 19627.3	-	7,366	7,366	-	28	28	-	-	-
Section 19630	-	4,540	4,540	-	4,633	4,633	-	4,633	4,633
Food and Agriculture Code Section 12844 ..	-	4,540	4,540	-	4,633	4,633	-	4,633	4,633
(Pesticide Mill Tax)	-	4,540	4,540	-	4,633	4,633	-	4,633	4,633
Commission on State Mandates	-	-	-	-	741	741	-	-	-
Government Code Section 17614	-	-	-	-	-741	-741	-	-	-
Less Transfer From General Fund	-	-	-	-	-	-	-	-	-
Local Government Aid	-	-	-	-	-	-	-	-	-
Local Government Financing	56,880	-	56,880	37,100	-	37,100	29,610	-	29,610
Local Government Code Sec 16111(A)	56,880	-	56,880	37,100	-	37,100	29,610	-	29,610
Shared Revenues	-	-	-	-	-	-	-	-	-
Apportionment Hwy Prop Rental Receipts ..	-	3,608	3,608	-	3,770	3,770	-	4,000	4,000
Streets & Highways Code Sections 104.6 & 104.10	-	815	815	-	800	800	-	800	800
Apportionment Off Highway License Fees ..	-	15,901	15,901	-	14,200	14,200	-	13,600	13,600
Vehicle Code Sections 38230 & 38240	-	15,901	15,901	-	14,200	14,200	-	13,600	13,600
Apportionment of Trailer Coach Fees	-	1,546,858	1,546,858	-	1,696,780	1,696,780	-	1,807,620	1,807,620
Health & Safety Code Section 18078	-	75,597	75,597	-	75,000	75,000	-	73,500	73,500
Apportionment Motor Vehicle License Fee ..	-	75,597	75,597	-	75,000	75,000	-	73,500	73,500
Revenue & Taxation Code Section 11005 ..	-	264	264	450	-	450	450	-	450
Apportionment Cigarette Tax	-	264	264	450	-	450	450	-	450
Revenue & Taxation Code Section 30462 ..	-	266,407	266,407	-	273,045	273,045	-	280,245	280,245
Apportionment Tideland Revenues	264	266,407	266,407	-	273,045	273,045	-	280,245	280,245
Public Resources Code Section 6817	-	196,989	196,989	-	197,373	197,373	-	202,290	202,290
Apportionment for County Roads	-	122,973	122,973	-	124,183	124,183	-	127,325	127,325
Streets & Highways Code Section 2104	-	3,797	3,797	-	3,800	3,800	-	3,800	3,800
Apportionment for City Streets	-	3,797	3,797	-	3,800	3,800	-	3,800	3,800
Streets & Highways Code Sections 2107 & 2107.5	-	71,867	71,867	-	129,912	129,912	-	-	-
Apportionment County Road & City Street ..	-	71,867	71,867	-	129,912	129,912	-	-	-
Streets & Highways Code Section 2106	-	196,989	196,989	-	197,373	197,373	-	202,290	202,290
Apportionment of Geothermal Res Develop ..	-	122,973	122,973	-	124,183	124,183	-	127,325	127,325
Public Resources Code Section 3821	-	3,797	3,797	-	3,800	3,800	-	3,800	3,800
Statewide Expenditures and Savings	-	3,797	3,797	-	3,800	3,800	-	3,800	3,800
Universal Telephone Service Program	-	71,867	71,867	-	129,912	129,912	-	-	-
Revenue & Taxation Code Section 4418 ..	-	71,867	71,867	-	129,912	129,912	-	-	-

**COMPARATIVE STATEMENT OF EXPENDITURES BY THE BUDGET ACT AND EXPENDITURES REQUIRED BY THE CONSTITUTION
OR OTHER STATUTES FOR THE FISCAL YEARS 1986-87, 1987-88, AND 1988-89---Continued**
(In thousands of dollars)

Appendix 52

Schedule 13
STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1987
GENERAL OBLIGATION BONDS

(This statement does not include bonds issued under authority of State instrumentalities
that are not general obligations of the State of California)

<i>Name of issue</i>	<i>Percent rate of interest</i>	<i>Maturity</i>	<i>Authorized *</i>	<i>Unsold *</i>	<i>Redemptions</i>	<i>Outstanding *</i>
GENERAL FUND BONDS						
State Construction Program Bonds	05-5.8	1959-1994	\$1,050,000	-	\$928,500	\$121,500
State Higher Education Construction Program Bond Act of 1966	3.5-6.5	1968-1993	230,000	-	184,520	45,480
Junior College Construction Program Bond Act of 1968	3.5-5.8	1970-1991	65,000	-	54,200	10,800
Health Science Facilities Bond Act of 1971	3.75-6.0	1974-1998	155,900	-	71,105	84,795
Community College Construction Program Bond Act of 1972	3.75-6.5	1974-1997	160,000	-	99,250	60,750
State Beach, Park, Recreational and Historical Facilities Bonds	3.1-11.0	1967-2003	400,000	-	253,645	146,355
Recreation and Fish and Wildlife Enhancement Bond Act of 1970	4.0-6.5	1972-1995	60,000	-	41,500	18,500
Fish and Wildlife Habitat Enhancement Act of 1984	5.7-11.0	1986-2005	85,000	\$55,000	3,000	27,000
California Clean Water Bond Act of 1970	3.5-6.5	1972-1997	250,000	10,000	160,000	80,000
California Clean Water Bond Act of 1974	4.4-11.0	1978-2000	250,000	20,000	98,375	131,625
California Clean Water Bond Act of 1984	3.0-11.0	1986-2005	325,000	300,000	2,500	22,500
California Clean Water and Water Conservation Bond Law of 1978	5.0-11.0	1981-2006	375,000	45,000	85,595	244,405
California Safe Drinking Water Bond Law of 1976	5.25-11.0	1981-2012	175,000	15,000	23,945	136,055
California Safe Drinking Water Bond Law of 1984	7.0-11.0	1986-2005	75,000	55,000	3,000	17,000
California Safe Drinking Water Bond Law of 1986	-	-	100,000	100,000	-	-
State Urban and Coastal Park Bond Act of 1976	3.0-11.0	1978-2005	280,000	25,000	98,490	156,510
Parklands Acquisition and Development Program Bond Act of 1980	3.0-11.0	1982-2006	285,000	45,000	64,205	175,795
California Park and Recreational Facilities Act of 1984	3.0-11.0	1985-2006	370,000	275,000	8,250	86,750
New Prison Construction Bond Act of 1981	5.0-11.0	1983-2006	495,000	-	70,000	425,000
New Prison Construction Bond Act of 1984	5.0-11.0	1985-2006	300,000	-	29,750	270,250
New Prison Construction Bond Act of 1986	-	-	500,000	500,000	-	-
County Jail Capital Expenditure Bond Act of 1981	5.75-11.0	1984-2006	280,000	130,000	15,025	134,975
County Jail Capital Expenditure Bond Act of 1984	5.75-11.0	1986-2006	250,000	125,000	7,500	117,500
First Time Home Buyers Bond Act of 1982	7.25-9.25	1988-1999	200,000	185,000	5,650	9,350
Lake Tahoe Acquisitions Bond Act	5.5-11.0	1986-2006	85,000	55,000	2,000	28,000
State School Building Lease-Purchase Bond Law of 1982	5.7-11.0	1985-2005	500,000	-	95,120	404,880
State School Building Lease-Purchase Bond Law of 1984	5.5-11.0	1987-2006	450,000	200,000	7,250	242,750
State School Building Lease-Purchase Bond Law of 1986	-	-	800,000	800,000	-	-
Hazardous Substance Cleanup Bond Act of 1984	3.0-11.0	1986-2005	100,000	50,000	5,000	45,000
Senior Center Bond Act of 1984	5.5-10.5	1986-2006	100,000	-	2,750	47,250
Community Parklands Act of 1986	-	-	100,000	100,000	-	-
County Correctional Facility Capital Expenditure Bond Act of 1986	-	-	495,000	495,000	-	-
Water Conservation and Water Quality Bond Law of 1986	-	-	150,000	150,000	-	-
Higher Education Facilities Bond Act of 1986	-	-	400,000	400,000	-	-
Totals, General Fund Bonds			\$9,845,900	\$4,135,000	\$2,420,125	\$3,290,775

Schedule 13

STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1987—Continued
GENERAL OBLIGATION BONDS

(This statement does not include bonds issued under authority of State instrumentalities that are not general obligations of the State of California)

<i>Name of issue</i>	<i>Percent rate of interest</i>	<i>Maturity</i>	<i>Authorized *</i>	<i>Unsold *</i>	<i>Redemptions</i>	<i>Outstanding *</i>
PARTIALLY SELF-LIQUIDATING BONDS ¹						
State School Building Bonds.....	.05-9.0	1955-2001	\$2,140,000	\$40,000	\$1,727,675	\$372,325
SELF-LIQUIDATING BONDS ²						
California Water Resources Development Bond Act of 1959.....	.05-6.75	1973-2022	\$1,750,000	\$180,000	\$205,275	\$1,364,725
HARBOR BONDS						
San Francisco Harbor Improvement and India Basin Act of 1909.....	1.5-4.0	1941-1989	\$29,303	-	\$29,063	\$240
Harbor Development Bond Law of 1958 ³	1.0-5.5	1964-1998	60,000	-	60,000	0
Totals, Harbor Bonds.....			\$89,303	-	\$89,063	\$240
VETERANS FARM AND HOME BUILDING BONDS						
Veterans Bonds.....	.05-11.0	1958-2010	\$5,950,000	\$850,000	\$2,276,235	\$2,823,765
Totals, Self-Liquidating Bonds.....			\$9,929,303	\$1,070,000	\$4,298,248	\$4,561,055
TOTALS, ALL GENERAL OBLIGATION BONDS			\$19,775,203	\$5,205,000	\$6,718,373	\$7,851,830

¹ The state school building issues debt service payments are partially refinanced with funds of the borrowing school districts over a 30- to 40-year repayment period as prescribed by statutes.

² The California Water Resource Development Bond Act, the San Francisco Harbor Improvement Act, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.

³ The Harbor Development Bond Law of 1958 includes an authorization of \$50,000,000 for San Francisco harbor development and \$10,000,000 for the development of small craft harbors as provided by Chapter 103, Statutes of 1958, First Extraordinary Session.

* Dollars in thousands

Schedule 14-A
STATE APPROPRIATIONS LIMIT
COMPARATIVE STATEMENT OF REVENUES TO FUNDS EXCLUDED FROM
THE STATE APPROPRIATIONS LIMIT:
FISCAL YEARS 1986-87, 1987-88, AND 1988-89
(In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 1986-87</i>	<i>Estimated 1987-88</i>	<i>Estimated 1988-89</i>
110600	Electrical Energy Tax	\$35,141	\$36,024	\$36,823
110900	Horse Racing Fees-Licenses.....	5,600	6,000	6,500
120200	General Fish and Game Taxes.....	1,699	1,816	1,767
120600	Quarterly Public Utility Comm Fees.....	55,699	54,115	53,461
120700	Penalties on Public Utility Comm Qtrly Fees	289	246	220
120900	Off-Highway Vehicle Fees.....	1,174	1,200	1,200
121100	Genetic Disease Testing Fees.....	18,062	21,197	22,765
121200	Other Regulatory Taxes	29,259	29,059	29,497
121300	New Motor Vehicle Dealer License Fee	881	890	890
121500	General Fish and Game License Tags Permits	54,335	57,482	58,984
121600	Duck Stamps.....	680	641	756
122400	Elevator and Boiler Inspection Fees	4,225	4,933	5,330
122900	Teacher Credential Fees	4,844	5,386	6,326
123000	Teacher Examination Fees	3,806	3,348	3,010
123100	Insurance Company License Fees & Penalties	16,186	17,294	20,030
123200	Insurance Company Examination Fees	8,290	8,484	9,782
123300	Other Insurance Department Fees	1,892	1,977	2,461
123400	Division of Real Estate Examination Fees.....	1,625	1,950	2,075
123500	Division of Real Estate License Fees.....	11,050	10,633	11,278
123600	Subdivision Filing Fees	5,052	4,507	4,560
123800	Building Construction Filing Fees	981	1,170	1,229
123900	Savings and Loan Licenses	6,554	6,510	8,523
124000	Savings and Loan Fees	201	173	173
125100	Beverage Container Redemption Fees	0	100,000	100,000
125400	Hazardous Waste Control Fees	24,462	40,634	48,833
125600	Other Regulatory Fees	25,501	20,257	24,645
125700	Other Regulatory Licenses and Permits.....	97,324	155,995	160,230
125800	Renewal Fees	51,299	0	0
125900	Delinquent Fees	1,065	0	0
130600	Architecture Public Building Fees	16,742	18,620	22,740
130700	Penalties on Traffic Violations	92,109	100,013	104,002
130800	Penalties on Felony Convictions	4,568	5,025	5,025
130900	Fines-Crimes of Public Offense	349	254	254
131000	Fish and Game Violation Fines	615	600	600
131100	Penalty Assessments on Fish and Game Fines	452	492	512
131200	Interest on Loans to Local Agencies.....	379	358	358
131600	Fingerprint ID Card Fees.....	13,199	13,595	14,671
131700	Miscellaneous Revenue from Local Agencies.....	2	0	0
140600	State Beach and Park Service Fees	30,357	38,836	41,908
140900	Parking Lot Revenues	2,280	2,677	2,983
141200	Sales of Documents.....	1,888	2,088	2,098
142200	Parental Fees	2,455	2,700	2,700
142500	Miscellaneous Services to the Public	5,061	8,726	7,121
143000	Personalized License Plates.....	26,235	25,628	26,013
150200	Income from Pooled Money Investments	1,738	1,755	1,773
150300	Income from Surplus Money Investments	34,540	25,840	24,059
150400	Interest Income from Loans	860	813	2,073
150600	Income from Other Investments	351	619	422
151200	Income from Condemnation Deposits Fund.....	21	16	45
151800	Federal Loans Royalties.....	24,514	28,421	28,421
152200	Rentals of State Property.....	205	243	247
152300	Miscellaneous Revenue from Use of Property & Money	5,521	7,067	5,592
152400	School Lands Royalties	1,598	0	0
152500	State Lands Royalties	130,531	141,326	177,287
160200	Penalties and Interest on UI and DI Contribution.....	47,296	37,482	37,680
160400	Sale of Fixed Assets.....	521	1	1
160500	Sale of Confiscated Property.....	123	120	120
161000	Escheat of Unclaimed Checks and Warrants	192	131	131
161400	Miscellaneous Revenue.....	13,981	11,661	13,309
161800	Penalties and Interest on Personal Income Tax	12,467	9,332	9,392
164100	Traffic Violations.....	3,544	3,721	3,907
164300	Penalty Assessments	28,895	40,528	57,347
164400	Civil and Criminal Violation Assessment.....	2,899	2,667	2,667
	TOTALS	\$973,664	\$1,123,276	\$1,216,806

Schedule 14-B
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(In Thousands)

Revenue	1986-87		1987-88		1988-89	
	General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
California State University Fees.....	\$241,817	-	\$292,597	-	\$326,632	-
Candidate Filing Fee.....	71	-	180	-	-	-
Civil and Criminal Violation Assessment.....	107	-	96	-	104	-
County Costs—Mentally Ill Patients.....	26,844	-	29,000	-	31,000	-
Domestic Corporation Fees.....	4,367	-	4,076	-	4,158	-
Driver's License Fees.....	-	\$68,449	-	\$70,000	-	\$71,000
Elevator and Boiler Inspection Fees.....	74	-	75	-	75	-
Employment Agency Filing Fees.....	63	-	60	-	60	-
Employment Agency License Fees.....	341	27	380	29	380	29
Escheat of Unclaimed Checks and Warrants.....	2,548	-	2,399	-	2,599	-
Explosive Permit Fees.....	5	-	5	-	5	-
Filing Financing Statements.....	1,748	-	2,149	-	2,704	-
Fire Prevention and Suppression.....	1,302	-	500	-	15,500	-
Foreign Corporation Fees.....	2,208	-	2,086	-	2,101	-
Forestry & Fire Protect Nursery Sales.....	313	-	344	-	374	-
General Fees—Secretary of State.....	5,519	-	6,556	-	7,612	-
Guardianship Fees.....	46	-	47	-	47	-
Highway Carrier Uniform Business License Tax.....	4,669	-	5,033	-	5,410	-
Identification Card Fees.....	-	5,638	-	7,300	-	8,000
Industrial Homework Fees.....	7	-	17	-	17	-
Interest Income from Loans.....	-	-	1,136	-	63	-
Liquor License Fees.....	32,057	-	31,881	-	32,519	-
Medicare Recpts Fr Fed Govt (Abol 7/1/87).....	7,283	-	8,100	-	8,350	-
Miscellaneous Revenue.....	18	-	709	-	-	-
Miscellaneous Services to the Public.....	8,366	20,525	6,532	22,942	6,770	25,753
Notary Public License Fees.....	679	-	884	-	1,128	-
Off-Highway Vehicle Fees.....	-	2,381	-	2,400	-	2,500
Oil and Gas Lease—1% Revenue City/County.....	264	-	300	-	300	-
Open Space Cancellation Fee Deferred Taxes.....	-	-	-	-	-	1,100
Other Motor Vehicle Fees.....	-	773	-	780	-	780
Other Regulatory Fees.....	2,037	885	1,934	1,400	1,968	1,400
Other Regulatory Licenses and Permits.....	31,641	6,095	36,059	6,518	36,453	6,918
Other Regulatory Taxes.....	7,587	-	7,215	-	9,155	-
Parking Lot Revenues.....	281	-	177	-	193	-
Pay Patients Board Charges.....	33,324	-	28,587	-	31,105	-
Penalty Assessments.....	5,128	589	3,501	500	3,673	500
Proceeds from Estates of Deceased Person.....	3,124	-	1,880	-	1,880	-
Receipts Fr Health Care Dep Fd (Abol 7/83).....	19,619	-	24,314	-	25,176	-
Revenue-Abandoned Property.....	38,030	-	40,700	-	43,500	-
Sale of Fixed Assets.....	5	-	-	-	-	-
Sales of Documents.....	282	729	381	700	384	610
State Land Royalties.....	32,809	-	101,466	-	15,505	-
Revenue Anticipation Note Interest.....	153,000	-	108,000	-	132,000	-
TOTALS.....	\$667,583	\$106,091	\$749,356	112,569	\$748,900	\$118,590

Schedule 14-C
STATE APPROPRIATIONS LIMIT
TRANSFERS FROM FUNDS WITH STATE APPROPRIATION LIMIT IMPACT
(In Thousands)

	<i>1986-87</i>		<i>1987-88</i>		<i>1988-89</i>	
	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>
Fingerprint Fees Account to General Fund.....	\$3,000	-	-	-	-	-
Highway Construction Revolving Account to Highway Account, State Transportation Fund.....	-	-	-	-	-	\$3,900
Energy Resources Surcharge Fund to Energy Resources Programs Account.....	-	\$35,101	-	\$36,024	-	36,823
Energy and Resource Fund to State Energy Conservation Assistance Account.....	-	344	-	581	-	151
Satellite Wagering Account to General Fund.....	-	-	\$3,000	-	-	-
Fish and Game Preservation Fund to General Fund	-	-	490	-	\$490	-
Vehicle Inspection Fund to General Fund.....	7,700	-	-	-	-	-
Public Utilities Commission Transportation Reimbursement Account to Energy Resources Programs Account	-	-	-	-	-	1,500
Public Utilities Commission Utilities Reimbursement Account to Energy Resources Programs Account (Chapter 1139/82)	-	1,071	-	-	-	-
Public Utilities Commission Utilities Reimbursement Account to Energy Resources Programs Account (Chapter 323/83).	-	-	-	-	-	6,000
Public Utilities Commission Utilities Reimbursement Account to Energy Resources Programs Account (Chapter 221/84).	-	-	-	-	-	1,700
Financial Responsibility Penalty Account to General Fund...	485	-	3,822	-	3,721	-
Public Buildings Construction Fund to General Fund.....	3,987	-	-	-	-	-
Consumer Affairs Fund to General Fund	1,546	-	-	-	-	-
Small Business Development Center Fund to General Fund..	99	-	-	-	-	-
State School Site Utilization Fund to General Fund.....	1,065	-	-	-	-	-
TOTALS.....	\$17,882	\$36,516	\$7,312	\$36,605	\$4,211	\$50,074

Schedule 14-D
STATE APPROPRIATIONS LIMIT
EXCLUDED COSTS
(In Millions)

<i>Budget</i>	<i>Fund</i>	<i>Actual 1986-87</i>	<i>Estimated 1987-88</i>	<i>Estimated 1988-89</i>
DEBT SERVICE:				
9600 Bond Int. & Redemp.	General	\$527	\$521	\$568
	General	—	81	77
4260 Ch. 376/84 Toxics	Hazardous Waste Control	5	5	5
Total Debt Service		\$532	\$607	\$650
SUBVENTIONS:				
6100 K-12 Apportionments	General	\$6,054	\$7,074	\$7,535
6100—County Offices	General	103	109	111
6870 Community Colleges	General	1,072	1,113	1,184
Subventions—Educ		\$7,229	\$8,296	\$8,830
9100 Tax Relief	General	\$360	\$365	\$371
Renter's Credit	General	—	261	266
9210 Local Government Fin.	General	—	89	15
	General	57	37	30
9350 Shared Revenues:	Mobilehome License Fee	16	14	14
	Motor Vehicle License Fee *	1,573	1,716	1,825
	Cigarette Tax	76	75	74
Subventions—Other		\$2,082	\$2,557	\$2,595
MANDATES:				
6100 K-12 Desegregation	General	\$301	\$336	\$419
6300 Contribution to STRS	General	234	242	254
	General	120	140	160
Total Mandates		\$655	\$718	\$833
TOTAL EXCLUSION:		\$10,498	\$12,178	\$12,908
General Fund		8,828	10,368	10,990
Special Fund		1,670	1,810	1,918

* The amount of the Motor Vehicle License Fee subvention has been adjusted to include the fiscal year change in cash balances which are pending disbursement to local governments.

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